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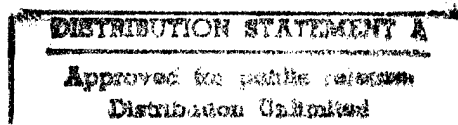
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18 June 1982

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2283



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EAST EUROPE REPORT  
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CEMA COUNTRIES SEEN UNABLE TO MEET FIVE-YEAR PLAN GOALS

Zurich NEUE ZUERCHER ZEITUNG in German 23 Apr 82 p 15

[Article signed 'oo': "Unrealizable CEMA Five-Year Plans: Weak Economic Growth--Stagnating East-West Trade." A translation of an article on a related subject by the same author is published under the heading, "Debts to West Seen Limiting Economic Growth," in JPRS 80398, 24 Mar 82, No 2249 of this series, pp 23-25]

[Text] After the failure of the CEMA countries' five-year plans for the period from 1976 to 1980, attainment of the targets set for the period from 1981 to 1985 appears unlikely. For economic growth within CEMA declined from 2.7 percent in 1980 to a mere 1.6 percent in 1981, which is attributable above all to the extraordinary slump in Poland (-13 percent). In 1982, the CEMA economies--excluding Poland--are supposed to expand by 3.1 percent. In 1981 the investment volume of the states of the "red community"--excluding the USSR--declined or showed a stagnating trend. The development of private consumption likewise was unsatisfactory. East-West trade--calculated after adjustment for inflation--declined and the trade balance deficit of the CEMA states increased from \$3.1 billion (1980) to \$3.9 billion. These are the most important findings of a seminar of the Viennese Institute for Comparative Economics, which studied the development of CEMA in 1981 and the prospects for 1982.

Setbacks Everywhere

Aside from the setback in Poland, the weak economic activity in the CEMA countries is attributable to the slowed growth of the GNP in the CSSR and in Romania. The key factor in regard to the disappointing overall results in the USSR was the further production decline in the agricultural sector (-2 percent), which thus showed a drop in output for 3 years in a row. In the CSSR, the diminished expansion of the GNP from 2.9 percent in 1980 to 0.2 percent in 1981 is attributable not only to the poor results in the agricultural sector, but also to the reduced growth of industrial production (2 percent as against 3.5 percent in 1980).

In Romania, where agricultural production in 1981 showed a decline for the second year, the overall economic decline (from 2.9 to 2.1 percent) was due above all to the sharp reduction in industrial expansion (from 6.1 to 2.6 percent). The curbing of investments and of Western imports, which were enforced by the high level of indebtedness, resulted as early as 1979 and above all in 1980 in a drastic decline in industrial growth.

As regards Bulgaria, on which country data concerning the 1981 GNP are not available, the industrial and agricultural results reported suggest that the planned growth rate of 5 percent (as against 5.7 percent in 1980) has been attained. An equally sharp rise in the GNP was reported in the GDR. In Hungary, the GNP last year showed a slight increase (+1.8 percent) after a slight decline (-0.8 percent) in 1980; with agricultural production stagnating, this was attributable above all to the moderate growth in the industrial sector (2.3 percent as against -2.1 percent in 1980).

With the exception of the USSR, where the investment volume has increased by 3 percent, there has been stagnation or decline in investment activity, and the development of private consumption has been unsatisfactory on account of the poor results in the agricultural sector and the decline in consumer goods imports. In order to prevent total collapse of the supply situation, Poland has strictly regulated--since the beginning of 1981--the distribution of foodstuffs; so far, however, it has not been able to achieve any marked improvement. Romania likewise has been confronted with serious shortages. Other CEMA countries such as the USSR have not been able fully to meet demand.

By contrast, the consumer market in Hungary has been distinguished by a broad product assortment, with the income-related price level exceeding that of the other CEMA states; the development of private consumption, which in Hungary is stagnating at the 1979 level in spite of a slight recovery in comparison with 1980, is being curbed by a restrictive wage policy.

Several CEMA countries in 1981 reported a continuing rise in retail prices. Aside from the special case of Poland, where the 1981 inflation rate amounted to 25 percent, retail prices--according to official data--showed the following increases: Hungary, 4.6 percent; Romania, 3.1 percent; CSSR, 0.8 percent. As regards Bulgaria, which in 1980 registered an inflation rate of 14 percent, no data are available for 1981.

The present policy of stable retail prices, which has been made possible through increasing state subsidies, can be maintained only in the USSR and in the GDR. But even these two countries have registered price hikes: in the Soviet Union, primarily in the kolkhoz markets, and in the GDR, for choice consumer goods. However, these two categories are not covered by the consumer price index.

#### Energy Shortages

With the exception of Poland, which did not draw up any plan for this year, the plans for 1982 provide for approximately the same rate of economic growth (3.1 percent). In all of the CEMA countries, however, the projected GNP increases are below the targets of the current five-year plans and this goes for industrial production as well. In the CSSR and in Hungary in particular, the GNP will show only modest increases (0.5 and 1-1.5 percent, respectively). All of the CEMA states will continue in 1982 radically to restrict the investment volume so as to be able to maintain as much as possible the current consumption level. The investment volume will be absolutely reduced (CSSR, Poland, Hungary, USSR) or it will increase more slowly than the GNP (Bulgaria, GDR, Romania). As has been the case for many years, the investment activity is focused on the energy sector and on projects already started. Modernization of existing installations is another area of concentration.

In all of the CEMA states, economic growth is hampered above all by energy bottlenecks. According to unofficial reports, the USSR has in 1982 reduced its oil shipments to the satellite states by at least 10 percent; only Poland is to receive the usual volume. The situation is aggravated by the reduction of Polish coal shipments, the discontinuance of Romanian power exports (to the CSSR) and delays in the expansion of nuclear power plants. For this reason, all of the CEMA states attach great importance to energy economy. Through higher consumption norms, price hikes and stricter controls, they want to enforce efficient and economical use of these important production factors.

While the volume of intra-CEMA trade--calculated at current prices--increased in 1981 by 10 percent, the dynamism of East-West trade declined. The exports of the European CEMA states to this area increased by a mere 4 percent (1980: 23 percent) to \$45.8 billion, whereas imports increased by 4.3 percent (12 percent) to \$49.7 billion. In real terms, both sides registered a decline. The CEMA countries' trade balance deficit vis-a-vis the West increased from \$3.1 billion (1980) to \$3.9 billion in 1981. Even in nominal terms, the small CEMA states registered a decline of trade with the West, which is attributable above all to the slump in Poland: East Europe's exports to the West declined by 0.6 percent to \$21.5 billion and imports decreased by as much as 5.9 percent to \$24.2 billion. In Poland alone, Western imports declined by approximately 28 percent; in Romania, by 19 percent, and in Hungary, by 7 percent. But even the CSSR--a country distinguished by low indebtedness vis-a-vis the West--reduced Western imports by 4 percent.

In contrast to 1979 and 1980, the exports of the USSR increased last year much more slowly than did its imports. The marked decline (8.7 percent as against 27 percent in 1980) is attributable primarily to the reduced demand for oil and petroleum products in the West and to the stagnating oil prices. The rather sharp increase in imports (+15 percent) is a result of the crop failure, which necessitated increased imports of grain and feedstuffs. With Soviet export to the West totaling \$24.3 billion, and imports, \$25.5 billion, the trade balance deficit amounted to \$1.2 billion. In 1980, Moscow was able to realize a slight surplus (\$202.7 million) in its trade with the West. The small CEMA countries reduced their trade balance deficit from \$3.3 billion in 1980 to \$2.7 billion in 1981.

#### Foreign Trade as a Burden

The East-West trade prospects for 1982 are not very favorable. And the intra-CEMA trade, which in 1980 amounted to approximately 53 percent of the Soviet Bloc's total commodity exchange, is likewise affected by the economic slump of the various economies involved. Regarding the further intensification of "socialist integration," which is emphasized in the plans for 1982, the preconditions are rather unfavorable. The strained situation concerning the current-accounts balance of the small Eastern Bloc states vis-a-vis the West and also vis-a-vis the USSR and the increasing demand for investments in the energy sector appear to be the main factors in regard to the lack of further joint large-scale projects in the next few years. Another negative factor in regard to economic relations is the crisis in Poland. So far, Poland has not been able to contribute--through a new five-year plan--to a coordinated CEMA cooperation program. The diminished supply capacity and the necessary changes in Poland's demand situation necessitate revision of the CEMA partners' economic plans. It is not only in regard to coal and other raw materials such as sulfur or copper, but also in regard to machines and equipment--

the production of which is dependent on Western supplies--that Poland does not fully meet its delivery obligations. And on account of Poland's discontinuance of investment in other projects, long-standing orders of producer goods have been canceled. Thus this year foreign trade will strain rather than boost the development of the CEMA economies.

Table. Key CEMA Economic Indicators

(Durchschnittliche jährliche Wachstumsrate in %)							
	1976-1980	1979	1980	1981 Plan	1981 Ist	1982 Plan	1981-1985 Plan
<b>Osteuropa (ohne UdSSR) 1)</b>							
Nationalprodukt <sup>1</sup>	3,8	2,3	1,0 <sup>2</sup>	4,6 <sup>3</sup>	-2,0 <sup>2</sup>	3,4 <sup>3</sup>	3,1-3,8
Brutto-Industrieproduktion 2) 3)	5,5	4,4	2,7 <sup>3</sup>	4,8 <sup>3</sup>	-1,1 <sup>3</sup>	4,4 <sup>3</sup>	3,5-4,2
<b>UdSSR 4)</b>							
Nationalprodukt <sup>1</sup>	4,2	2,2	3,5	3,4 <sup>4</sup>	3,1	3,0 <sup>4</sup>	3,4
Brutto-Industrieproduktion	4,4	3,4	3,5	4,1	3,4	4,7	4,7
<b>Comecon 5)</b>							
Nationalprodukt <sup>1</sup>	4,1	2,2	2,7 <sup>2</sup>	3,7 <sup>3</sup>	1,6 <sup>2</sup>	3,1 <sup>3</sup>	3,3-3,5
Brutto-Industrieproduktion	4,7	3,7	3,3 <sup>3</sup>	4,3 <sup>3</sup>	2,1 <sup>3</sup>	4,6 <sup>3</sup>	4,3-4,6

<sup>1</sup> Netto-Materialprodukt. <sup>2</sup> Nach Ausklammerung Polens 1980: Osteuropa = 3,0%, Comecon = 3,4%; 1981: Osteuropa = 2,8%, Comecon = 3,0%, <sup>3</sup> Ohne Polen. <sup>4</sup> Verwendetes Nationalprodukt. <sup>5</sup> Nach Ausklammerung Polens 1980: Osteuropa = 3,9%, Comecon = 3,6%; 1981: Osteuropa = 3,5%, Comecon = 3,4%.

Key:

- |                             |         |
|-----------------------------|---------|
| 1. East Europe (excl. USSR) | 4. USSR |
| 2. GNP                      | 5. CEMA |
| 3. Gross industrial output  |         |

Footnotes in the table: 1. Net material product. 2. After exclusion of Poland....

8760

CSO: 2300/256



COST EFFECTIVENESS OF COMPUTERIZED MANAGEMENT QUESTIONED

Prague HOSPODARSKE NOVINY in Czech 23 Apr 82 p 5

[Article by Eng Slavoj Chladek, deputy director, and Eng Jiri Tesar, CSC, INORGA in Prague: "Computerized Management Systems; High Costs, Low Yield"]

[Text] The development of conditions influencing our economy is setting increasingly more demanding criteria for an evaluation of the effectiveness of the methods, instruments and means of management. The CSSR entered the Seventh Five-Year Plan with almost 15,000 computers introduced in technological and production processes in the management of enterprises and all the way to the central organs. Almost 70,000 people are dealing with the development and utilization of computerized systems in computer centers, scientific research organizations and in the management apparatus at all management levels.

Computerization will keep penetrating all areas of our life until finally it will become part of it to such an extent that we will simply stop considering it as something unusual. But that does not mean that the problems will disappear. However, their quality will change.

Methodology Without a Tuneup

Nevertheless, the development of computerized management is very difficult. It makes it necessary to keep gaining people, changing their knowledge and habits, changing the organization and method of work, keep creating conditions for changing the technology of management, and so on. Just like any similar process, it has its turning points, when we are forced to do a bit of thinking about the results obtained and about what to do next. To put it plainly, one gets the impression that the results and effects are not so convincing as to justify additional large investments at the present time. There appears disillusionment and a certain amount of impatience.

At the end of the Sixth Five-Year Plan, the development and results of computerization of management were being evaluated in many respects and by various organs. If we take in consideration the experience gained by certain

industrial departments and the evaluation conducted within the framework of the computerization program of the state plan of economic research, we can make a series of positive findings, even though the development of the computerized management systems was mostly of an extensive nature. The number of enterprises which are building computerized management systems is reaching almost 90 percent in some departments. Over 500 subsystems or groups of tasks of comprehensive planning, technical development, finances, outlays and so on, have been computerized at the level of the branch organs during the last 2 years.

A basis has been created for a gradual completion of the computerized management systems of coordinating agencies, where the new qualitative properties of the systems have become more clearly pronounced. This applies particularly to their flexibility, readiness, ability to provide information when the user communicates directly with the computer, broader applicability of model engineering and to utilization of economic mathematical methods.

In spite of the predominantly quantitative development of computerized management systems, the achieved level has a significant impact on the work of management workers. In particular, it creates pressure to improve the quality of the basic data, make the operational procedures more precise, make the information requirements more specific, unify the algorithms along the vertical coordinating line and so on. At the same time, the processing and utilization of information is rationalized in the preparation of the plan and in keeping track of its implementation.

However, the evaluations which have been made also indicate a number of shortcomings. For example, efforts to harmonize the development of management with the development of computerization in research as well as in practical application have failed. The development of computerized management systems of coordinating agencies is lagging behind, and consequently their function is not utilized to influence the development of the corresponding subsystems within the scope of the individual management levels of the departments.

This resulted in great differences in the development of computerization at individual management levels and in individual organizations. In terms of substantive content, the application of automation was based on the existing organization and on the methodology and technology of decisionmaking currently in effect. Therefore, computerization concentrated mainly on informational enrichment of management and less on its innovation on the basis of full utilization of the opportunity provided by computer technology.

One can say generally that as a rule management is being computerized for the time being in such a way that the existing work system is maintained and the computer is adapted to it, even though sometimes the opposite procedure is the correct one. Emphasis was being placed for a number of years on the systems approach, but first of all with concentration on single-stage systems, that is, on relatively closed computerized systems of management of individual organizations or management organs. The effects of such a procedure could be seen within these organizations.

However, the overall management system continues to retain the old forms and methods of work. This harness is gradually becoming an increasingly bigger drawback for progressive development and effective utilization of computerization in management. Thus computerization rather frequently means processing of an increasingly larger volume of information which is being used inadequately, and it manifests itself on the outside as a factor reducing flexibility and slowing down management.

#### Necessary Qualitative Changes

In spite of the given problems, computerized systems in all areas undoubtedly bring certain new elements. These are, above all, a systemic approach, which is applied more or less successfully, and rationalizing viewpoints. An analytical and project preparation of each task requires that we gain a perfect knowledge of it, formalize it, define the inputs and outputs, and that we get to know its goal and meaning in relation to the other parts of the system, while applying the systemic approach correctly. This leads to an engineering approach to management and discloses various improvisations in decisionmaking. Actual computations often dispose of various illusions, reveal shortcomings of the information, make it possible to determine what instances are wishful thinking, and so on. This reality encounters a favorable response in cases which are rather exceptional. More frequently, the tendency is to put computerization of management in its proper place.

For example, the research part of the tasks in the area of management computerization is completed successfully only if it ends in a project and its application in the form of practical computations of the task on a computer and their utilization by the users. However, that is a result which is seen relatively rarely in the area of economic research (even applied research). Therefore, it makes one suspect that it could not be a question of research, but rather a question of "mere" project work, and consequently it is necessary to eliminate computerization from research. What is surprising is the fact that research concerning certain economic mechanisms which lasted many years does not cause such a suspicion.

An effective computerized solution often requires such a basic change of methods and instruments of management technology, a change which cannot be prepared without the necessary research work based on broader contexts. In the same way, the relatively high requirements and long-term implementation of certain solutions are hardly compatible with the interests and evaluation of efficiency of those organizations which are to release funds for bringing about these solutions. If suitable conditions are not created in these cases, it can be only detrimental to the effectiveness of the development of computerization. The conversion of the tasks to a computer and their routine operation has been accomplished, and the key to the effectiveness of computerization lies in the basic changes of the qualitative properties of the main components and mechanisms of management.

Indeed, if we want to talk about computerized management systems, it means that the issue involved is the question of a change of their properties. In these systems, computerization influences all principal components of management in all stages (organization, methods, instruments, operating procedures,

information processes). This change cannot be brought about in practice within the framework of the computerized management system of one single organization or one single level of management because it is determined too much by external factors. Consequently, the order of the day is beginning to include continuous introduction of computerization in the entire vertical structure of management in the form of close combination of the development of both computerization as well as methodology, technology and organization of management.

### Ineffective Results

If we set for ourselves the goal of bringing about changes of the qualitative characteristics of basic elements of the management systems, we cannot be concerned under any circumstances with the idea that those who handle computerized assignments should take over the guarantee for the development of the management system and its effectiveness. They cannot play such a role, and an overestimation of the opportunities and of the role of the computerizers never led to good results. However, the main problem at present is the fact that the handling of computerization of management processes is being brought up to the margin of the main development trends of management methods. As a rule, computerization of the tasks is taken care of only after the fact. The tasks are based essentially on procedures corresponding to the working conditions without computerization and transmission technology.

Let us give an example. It is often emphasized that the development of the economy, scientific-technical progress, international conditions and so on result in a growing complexity of management. This complexity makes it necessary to process promptly a continuously growing volume of information, particularly information about new economic, social and technical phenomena and their mutual relationships.

It is true that computerization can handle these tasks, but without the necessary degree of efficiency. At the present time, computerized management systems of all industrial departments are processing the overall indices of the plan, including data transmitted on tapes from VHJ [economic production units] to the department.

However, analyses conducted in these industrial departments basically agree in their findings that the volume of information pertaining to the plan is difficult to handle and is little effective, even when it is processed by a computer. In the formulation of the plan starting with an enterprise and going all the way to the central management, the key steps are not correlated, the harmonograms are not worked out uniformly and methodically. The work concentrates on filling out the forms of the plan, which at lower levels is done mostly by hand, and on transmission of information concerning the plan.

The forms which are being filled out are often in the nature of initial tables prepared before processing, or they are a sort of instruction as to how the data are to be computed. They are processed along the management line regardless of the fact that with computerized processing many of them can be done by a computer, depending on the needs of the given management

level. The result is that the indices are duplications, and there are discrepancies between planned indices and statistical indices. The great variety of forms results in frequent changes. That has a negative effect on the organizational and project preparation of the plan processing because the time limits are short. It has been established that even a tremendous volume of data does not guarantee that all parts of the plan are consistent. On the contrary, it makes it impossible to create conditions for the necessary interaction between individual management levels.

#### Overall Model of the Plan

Examples from various VHI (for example Chepos, which is the most active unit introducing an information system on innovations) show that there is no harmony between the processing of the basic lists of innovations and the planned list of scientific-technical development, the methodology of planning of investments, licenses, imports, and so on. The preparation of prognoses of long-term development is not being coordinated with the planning of innovations, either in terms of time limits or in terms of content and methodology. Of course, that results in many duplications, lack of coordination, large volume of administrative work, lowered level of data processing and lesser opportunities for their effective utilization at higher management levels. It also leads to inefficient and nonrational use of computerization.

The situation is similar in the development of the quality-control system. A so-called simplification of records which had been already computerized in their essence has taken place, for example at the Skoda VHI. This is reflected in the fact that the needed data cannot be obtained now as output processed from the existing computerized tasks. Instead, they have to be obtained laboriously from various basic materials. The result is that such cases cast doubts on any process of developing computerized systems and instruments of management.

However, the basic solution is not merely to reduce the number of indices and forms, or to pretend that lower level management organs have a free hand in the preparation of information they transmit. That would merely mean closing eyes in facing responsibilities, in this case by the central organs. We are dealing here, for example, with the drawing of an overall model of computerized processing of the plan on a scale which has to be evaluated at the level of the central organs, a scale which includes the role of individual management levels from the viewpoint of decisionmaking, information base and processing of the transmitted information.

The given example shows that this involves both information processes as well as decisionmaking and, in this context, also the delimitation of the task and of the conditions of its computerization. Substantive handling of the implementation of the management functions at individual management levels, specification of the decisionmaking processes, and their correlation constitute the basis for a rational delimitation of the needs for information and the methods by which these needs are satisfied in the area of automation. Therefore, in our opinion, one can consider the following as the basic development trends of automation in the forthcoming years:

--development of new forms, organization systems, methods and technologies of management work, based on computerization and including also the necessary training of personnel;

--systemic delimitation of the decisionmaking processes and principles of implementation of management functions involving the use of computers, particularly in direct interaction between man and computer;

--both vertical and horizontal integration of computerized management systems, which provide for integration of the decisionmaking processes, computerized data processing and transmission, as well as technical measures taken from the viewpoint of the new tasks and needs of the management of the national economy and continuous increase of its effectiveness.

It is not enough to deal with the problems of the hierarchic structure of computerized management systems merely from the positions of the superior organs. One cannot disregard the functions and tasks of the lower management levels and their working conditions. The coordinating agencies sometimes simplify the problems according to their viewpoints, they keep forgetting the specific aspects of individual branches of the economy, the need for a complex systemic handling of the information base, and so on. This means that all management levels must participate in bringing about vertical and horizontal integration of computerized management systems in terms of changing the technology and organization of management work on the basis of a correlated computerized handling of the operations in the entire management structure, and the corresponding branch organs must bear the final responsibility within the framework of the individual departments.

5667

CSO: 2400/231

LAG IN IMPLEMENTATION OF WAGE DIFFERENTIATION CRITICIZED

Prague SVET HOSPODARSTVI in Czech 4 May 82 pp 1, 2

[Article by Engr Vojtech Mechura, Federal Ministry of Labor and Social Affairs:  
"The Principle of Merit Must Be Asserted More Consistently"]

[Text] The problems of wage differentiation have probably been the most debated issue of our wage policy in recent years. This is understandable because the demanding tasks of the economy's further development require raising the incentive effect of wages. And it is a known fact that the intensity of this effect is commensurate with the extent of wage differentiation.

In the debate, however, emphasis is not always on the decisive cross sections of wage differentiation. Often the prevailing view is that the general tendency is toward wage equalization, which is not always true. This article is intended to provide a better and especially more comprehensive understanding of the problems of wage differentiation, which roughly can be classified into three groups, each with its own specifics.

In the first group we may include overall differentiation of the level of earnings in our society; i.e., the ratio of earnings by workers performing the most simple tasks requiring the least skill, to work ranging from the average to the most complex, most responsible and most difficult. It can be demonstrated numerically that this spread of the overall differentiation of earnings in Czechoslovakia is around a ratio of nearly 1:10, which may be regarded as fair and in agreement with the socialist principles of remuneration. Not even in the coming period is this spread expected to become more pronounced. The problem within this circle of differentiation is merely that there is excessive concentration about the existing average earnings, roughly 2700 korunas [per month]. Approximately 60 percent of the workers in Czechoslovakia are in the Kcs 2200 to Kcs 3300 wage bracket, which means that the ratio of earnings in this group is merely 1:1.5. The causes of this concentration are varied, partially objective (for example, the structure of the tasks and jobs in the individual branches and sectors), but also subjective--stemming primarily from wage practice where the classification of tasks and jobs into tariff grades shows a clear tendency to shift the lower grades toward the average.

In the second group we may include the ratios of earnings between individual branches of the economy, and also between individual economic production units or enterprises. In the past there did exist in this differentiation cross section various disparities,

namely a tendency toward wage equalization and also unfair differentiation. But with time, as a result of the different rates of the annual pay increases and also by using central reserves, these inconsistencies have been eliminated to a considerable extent, and the present situation in wage ratios is roughly in accord with the basic considerations of wage policy. Which does not mean that in this cross section there do not exist partial differences unwarranted by wage policy, but these differences are merely minor inaccuracies or affect only few workers. In this circle of wage differentiation we likewise do not anticipate any significant changes long term. In addition to the considerations of wage policy, however, the aspect of effectiveness should be better reflected in these ratios. If within this circle of differentiation there do occur more conspicuous changes in the ratios of earnings--for example, as in the mining industry at present--for the most part they cannot be regarded as the elimination of earlier shortcomings, rather they will stem from a new assessment of the situation regarding working conditions, because the abundance of available jobs is expected to continue for some time, and in such a situation the working conditions strongly influence the attraction and stabilization of manpower in the most difficult branches and sectors of production. By raising the wage level and improving the wage ratio, we wish to influence favorably for a longer period of time the placement of manpower, in favor of the production operations that are the most important to society.

The most important problems of wage differentiation are in the third group; i.e., within enterprises, organizations and working collectives, between individuals. The wage system's overall effectiveness depends to a considerable extent on how consistently wage differentiation is carried out in this cross section. At the same time, in an enterprise there are several specific types of wage differentiation: for example, between blue-collar workers and technical-economic personnel, between blue-collar workers paid hourly wages and the ones receiving piecework wages, between the individual subdivisions and trades within the same enterprise, etc. It must be admitted that the weakest link of our wage differentiation is in this cross section, and the most inconsistencies are to be found here. Consequently, the workers' wages are not commensurate with their actual merits. To a lesser extent this follows from the wage regulations that are in force (the catalogs of jobs and skills, and the structure of wages), but the main problem lies in the enterprises' wage practices.

The most frequent complaint is that the tendency toward wage equalization is the greatest between the earnings of blue-collar workers and the technical-economic personnel. The present situation is not good, but this question must not be judged one-sidedly. If we compare the total volumes of wages paid to blue-collar workers and to technical-economic personnel in a time series, the proportion of wages paid to the technical-economic apparatus in relation to the total volume of wages paid has not declined, rather it has risen slightly as a result of an increase in the number of technical-economic personnel. An improvement of this ratio is socially desirable, but realistically this can be accomplished only if the total number of technical-economic personnel is reduced.

The decisive factor in wage differentiation, the one that also determines the wage system's motivational effectiveness, is the graduation of earnings among individual workers within small working collectives, crews, shops and establishments; i.e., where workers are able to reliably evaluate the abilities of every worker, his actual performance and the amount of his wages. Sooner or later the workers will adjust also their own performance to their evaluation of this relationship.

In this cross section of differentiation there unquestionably exists wage equalization in Czechoslovakia, and it has very serious consequences. For illustration we



can cite the fact that in the case of workers with identical skills and qualifications, both blue-collar workers and technical-economic personnel, the differences in earnings within working collectives roughly vary only between 3 and 5 percent from the average; however, the differences among the same grades of workers are substantially greater, and very often there are substantially greater differences also in their actual performance. This is where we can speak of the violation of the socialist principle of remuneration based on the work performed.

However, it would be a simplification of the problem to regard inadequate wage differentiation merely as mistakes of the appropriate managers and of the sections concerned with wages and work norms. The general social climate, particularly the continuing abundance of job opportunities, influences the situation. In order not to lose their workers, managers reduce the requirements they set for them, enabling even the less capable workers to earn roughly the same amount as the workers with higher performance. The requirements cannot be raised merely here or there; this must be done at all enterprises. For the time being, however, many enterprises do not feel the need for this; economic pressure is not strong enough to compel them to set higher requirements for their workers.

In the coming years, therefore, the efforts to widen wage differentiation will concentrate on the wage ratios within enterprises. At the same time, emphasis will be placed on making more conspicuous the differences in the earnings of individual workers, in accordance with the work they perform, its quantity, quality and economic effectiveness. More consistent implementation of the socialist principle of merit-based remuneration is a demanding task, but it is an essential one from the viewpoint of ensuring the successful development of our economy.

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## FOOD INDUSTRY AIMS OUTLINED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 4, Apr 82 pp 145-148

[Article by Professor Eng Jiri Davidek, Doctor of Sciences, Vice-Chairman of the Czechoslovak Academy of Agriculture: "Agricultural Raw Materials and Rational Nutrition of the Population"]

[Text] The CPCZ Central Committee Plenary Session, which dealt with the fulfillment of the 16th congress resolutions concerning the area of agriculture and nutrition, proved that the party regards the agriculture and food industry as important areas of the national economy, irreplaceably significant both for satisfying people's needs and success in external economic relations. Food is becoming a progressively more important economic and also political factor in the world politics. As comrade secretary Pitra said at the Fourth CPCZ Central Committee plenum: "...it is misused in the hands of imperialist countries as a means of political blackmail and pressure. Therefore, we must base the nourishment of our people on domestic production and also, gradually create necessary reserves in case of poor crops..

The objectives for our agriculture and food industry have been formulated clearly. At the present stage it is only necessary to develop them, specify them and implement them at all levels of management, manufacture and research. In this area, an irreplaceable place belongs to the Czechoslovak Academy of Agriculture, which at its 17th extended plenary session dealt exclusively with the question of nourishment of Czechoslovak population. This article presents general attitudes, summarizes the present results of science and research conducted into the methods of ensuring nourishment and formulates questions, which must be in the focus of our attention.

It is evident from the long-term development of the food consumption that its quantitatively high level cannot be continuously increased and that the final goal in this area should be to achieve such a consumption standard, which would fully satisfy the physiological nourishment needs and, at the same time, would be in accordance with the socially recognized development of material needs of people living in an advanced socialist society.

Summarizing facts about the present nourishment conditions of our population, we can say that except for the consumption of C vitamin, there is rather a slight overconsumption, both in terms of total caloric intake and some

nutrients. The way to lower the average intake of calories, particularly in the consumption of fats and sugar, and the consumption of salt, cannot be achieved only by producing foods with lower contents of these substances, but also through long-term education and long-term proposals for the development of food consumption are based on dietary recommendations, the level of the food consumption in 1975-1979, the demographic development, the natural consumption development and the consumers' demand, and they reflect fundamental health requirements for improved nourishment conditions of the population as well as general social attitudes and the respect for a future way of living and the living standard of the population living in the period of advanced socialist society.

Taking in consideration the present consistent increase in meat consumption, which cannot be justified either from the point of view of human health or economy, and also the present capacities of the animal production, the proposal anticipates a slight decrease in meat consumption in the near future. Later, we can expect a slight increase in meat consumption, which should be increasingly covered by beef supplies.

Milk consumption should reach the recommended amount of 251 kilograms per person per year in the year 2000. Also, it is quite realistic to expect that at that time milk proteins will be fully used to improve the quality of a number of food products, particularly those of the meat and bakery industries.

The consumption of fats is expected to stagnate (roughly at the level of 24 kilograms per person and year).

The consumption of fruits and vegetables (including products made from them) is also expected to reach or at least to approximate substantially the recommended level (70 kilograms of fruits and 100 kilograms of vegetables per person and year) in the year 2000. Should this proposal be fulfilled, it will be necessary to ensure intensive growing of fruits and vegetables in orchards and greenhouses as soon as possible and also to ensure their timely purchase and transportation to the final destination. Also, it will be necessary to pay attention to the required assortment.

The outlook for sugar consumption expects quite realistically that after 1990 synthetic low-caloric sweeteners will be used to a considerable extent. Subtracting the consumption of sugar needed for the manufacture of alcoholic beverages, we will have sugar consumption approaching the health requirements in 2000.

The grain product consumption has been proposed to be gradually slightly reduced, in order to reach the recommended consumption level of 91 kilograms per person and year in 2000.

To summarize, we can say that the average citizen consumption will grow slightly and should decrease a little only later (in 1985). However, even in the target year the consumption is planned to exceed the upper level of caloric intake by about 5 percent.

The proposals presented here are based on the present conditions and cannot be considered unchangeable. Actual consumption will always be affected by the capacities in particular periods. The area of scientific research must prepare variants of options for optimum covering of recommended amounts of nutrients proportionally in agreement with the rational nutrition requirements and also with regard to the capacities of our national economy, primarily agricultural production.

These points of view are also applied in formulating the objectives for the food industrial technologies. The food industry occupies an irreplaceable position in ensuring the needs of the population mentioned above. It processes almost exclusively raw materials produced in agriculture. Therefore, its capacities must be well balanced with respect to the raw materials produced and must also be ready to accommodate fluctuations, which are typical and inevitable for agriculture in our climate.

At present, the volume of industrially processed food stuff represents 80 percent of the total consumption. Thus, the food industry participates in supplying the population by basic food to a significant extent. The degree of processing food is progressively higher, the industry essentially overtakes the role of kitchen.

In ensuring the implement: or of enforced tasks, it is necessary to concentrate on those food industry technologies which can and must contribute to resolving these tasks to a maximum extent. Areas primarily involved are those dealing with proteins (meat, milk, poultry) and, further, fats, canning, frozen foods and starch industries, and for purposes of external economic relations, also the sugar and brewing and malting industries.

#### The Main Directions to Optimally Evaluate Materials for Human Nutrition

The annual production of proteins from products used in human and animal nutrition in Czechoslovakia is roughly 32 million tons, out of which amount 390,000 tons (e.i. 11.9 percent) are animal proteins suitable for human consumption and 2.8 million tons are vegetable proteins.

Losses and unused resources of animal proteins have been calculated to be as high as 30 percent from production to direct consumption. About 10 percent of losses occur between retail purchase and final consumption depending primarily on the level of the final processing of food. The rest, i.e. 20 percent, are losses and unused resources. From the point of view of human nourishment, unused resources are those resources so far only used to feed animals, but which could be either entirely or partially used for human consumption. Losses, on the other hand, express the ratio of protein depreciated directly in manufacturing. As a basis, let us take the value of animal protein intake as 55.5 grams per person and day. If we relate this value to the population of 16,820,000 people in the year 2000 and increase this value by 10 percent to cover losses, we get a total consumption of 378,590 tons. It follows from these figures that agriculture is already to produce such an amount of proteins today, to cover the recommended consumption in 2000 (assuming that the volume of imported means of intensification remains

constant). However, from the point of view of the total balance in the protein needs, it is necessary to quantify the necessary needs for feeding animals, primarily in terms of milk protein.

#### Meat, Dairy and Poultry Industries

Implementing a more progressive method in meat refrigerating during fast refrigerating of beef and pork sides, we can expect a decrease in losses by 1,800 tons of meat at least in 45 percent of instances of the total annual Czechoslovak production of 915,000 tons.

An important way to decrease losses in meat and poultry is more intense utilization of raw materials in final product processing. Another hidden potential in the meat industry is utilizing blood. At present, only about 2.1 percent of extracted blood is used, while unused resources of blood protein have been estimated to be about 5,500 tons per year. However, it is necessary to overcome a number of problems in the area of abattoir processing. Also, the bone waste in the meat industry can be utilized for the manufacture of extracted edible fat, soup concentrates, edible and technical gelatine and glue and also bone flour. After separators have been introduced, it is possible to obtain meat mass from meat bones, which is used as an additive to meat products (up to 10 percent).

The meat industry could also utilize industrially processed milk protein from separated milk and also proteins separated from vegetable substances, particularly soy protein. Our conditions also permit the use of potato protein from starch-processing waters, of which 300,000 tons are available but only about 3 percent are used.

Total annual losses and unused resources have been calculated to be 2,400 tons. Greatest losses occur in the manufacture of butter and cheeses, since buttermilk and whey are not utilized. From the point of view of rational nourishment it is desirable to increase the consumption of milk, particularly in the form of milk products and cheeses.

Research into these areas (meat, milk, poultry) should be directed primarily to breeding types of animals more resistant against factors causing high death rates, cows with milk of high content. It should concentrate on the problems of fodder consumption and utilizing proteins suitable for human nutrition. In the processing industries research should design and introduce technologies suitable for processing of all appropriate raw materials and utilize industrial byproducts to manufacture fodder proteins.

In the area of management, it is necessary to ensure higher standards of processing (extracting, packing and final processing in general) of the meat and poultry product industries to better satisfy consumer demands and, at the same time, not to increase the demands for basic raw materials. Depending on economic means it is necessary to give priority to investments to implement meat refrigeration immediately after the slaughter. The poultry industry needs reconstruction, and new feeding capacities should be built,

if possible, in the vicinity of available waste heat sources since poultry raising is energy demanding. Also, it will be necessary to build facilities for manufacturing milk proteins and to commence this manufacture, and to ensure raw materials for special purposes (children's nourishment), in accordance hygiene regulations demands.

#### Fat Industry

In the course of the Seventh Five-Year Plan, the fat industry will be processing 350,000 to 370,000 tons of oil seeds annually. The share of domestic raw materials is growing; in 1976 it was 47 percent and in 1980 already as much as 67 percent.

The supplies of rape-seeds to the fat industry amounted to 120,000 tons in 1975, 200,000 tons in 1980. This increase represents savings of Kcs 410 million. We can realistically expect that in 1985 rape-seed supplies will amount to 245,000 tons, which will further increase savings by Kcs 230 million. Supplies of sunflower seeds amounted to 26,000 tons. In 1985 the supplies are expected to increase to 38,000 tons, and the fat industry would welcome further increases sunflower cultivation because of nutritional value of oil.

The results achieved in the flax-seed procurement are not satisfactory and lag far behind the actual needs, despite all measures introduced. During Sixth Five-Year Plan, 37,000 tons of flax seed and 6,000 tons of flax oil were imported.

In growing winter rape, we must expect some losses due to frosts every year. It would be desirable to replace the frozen plants by spring oil-producing plants, namely by oil flax and spring rape. Although spring rape does not provide high yields, it is important from the point of view of its oil.

In the area of fat resources, research will concentrate on cultivating an oil rape varieties with 43 percent or more oil erucic and linolenic acids contents of up to 3 percent, with a considerable higher content of linoleic acid and with glucosinolates contents of up to 3 milligrams per 1 gram of bran. In the area of processing, research will concentrate on designing an optimum technology for the production of quality bruised rape seed, which could also be used for the production of protein for human nourishment, and other improvements in technology.

The tasks of management are to ensure the production of oil seeds and to evaluate economically and appreciate the possibility of increasing independence in the flax seed production are:

#### The Canning and Frozen Food Industries

Given the considerable production growth, the canning and frozen food industries should process roughly one third of the overall fruit and vegetable production plus imported raw materials to an extent of about 3.7 percent of the total production. The strain between the production growth and the

obsolete technical conditions in processing capacities becomes more intense in years with exceptionally good crops, when big losses occur because it is not possible to store the raw material, especially fruits, for periods when crops are low.

In the area canning and frozen food industries, cooperation between agriculture enterprises and Fruits and Vegetables Retail will have to be substantially intensified. It would perhaps be efficient to centralize the contract procurement and to distribute the purchased products as suitable, either to retail or to the processing industry.

In the area of basic production, research will cultivate varieties most suitable from the point of view of yields as well as of nutritive and processing characteristics, and will also concentrate on reducing losses during storing both fruits and vegetables. This ensues a number of technical and organizational tasks for the area of processing and management, such as evaluation of raw products (including prices), securing the conditions for quality production facilities.

#### Starch Industry

The importance of starch and starch products for many areas of the national economy is growing continuously.

At present, the starch industry processes approximately 220,000 tons of potatoes every year (roughly 10 percent of the total potato production). The content of starch in the potatoes supplied is relatively low, 13 to 15 percent. However, the content of starch increased only by 1 percent over 15 percent represents a reduction in the production costs by 2 percent. Losses during storing and transportation of potatoes from the moment of purchase to the moment when they are brought by a customer increase considerably, the potato harvest lasts until winter thus exceeding the technical economic limit of 100 days. There are several causes extending the harvest season. Semi-ploughed industrial potatoes for planting are not available in a sufficient amount and there is not enough cooperative farms specializing in growing industrial potatoes.

In Slovakia, starch is extracted mostly from corn and it is necessary to find varieties most suitable for the starch industry.

At present the disproportion between realistic production possibilities and real needs for potato starch must be covered by exports amounting to average to Kcs 40 million. The potato starch industry could be reconstructed to the level corresponding to present needs by building integrated units with the capacity of 600 tons of potatoes per 24 hours, which could also produce starch from corn and manufacture various products from starch.

The higher evaluation of starch concerns also the area of starch modified as raw material for food, food hydrolyzers and glue. In 1990, the profit from modified starch would amount to Kcs 1,000 per 1 ton of processed starch, which would represent the evaluation higher approximately by Kc 12.5 million

and the consumer profit would be approximately 3-4 times higher than in manufacture.

The starch industry production base is very obsolete and worn out and insufficient in terms of capacity. The return of investments for reconstruction and construction of new facilities would take 10-13 years, however, labor productivity would rise 200 percent, annual hard-currency savings would reach Kcs 40 million and the losses during potato storage would be reduced by 5 percent (i.e. 14,000 tons).

For research it means a task of finding a suitable variety of semiploughed industrial potatoes, optimizing harvest and postharvest processing and conducting research into the industrial chemistry of starch. Management should ensure buildup a starch industry manufacturing basis and organize the production of potatoes or other plants with high contents of starch.

#### The Malt Industry

To secure the export of malt and beer, the malt industry needs 310,000 to 350,000 tons of high quality barley. However, these requirements have not been met, which hinders the exports of malt and beer. This fact is one of the causes of low exports.

The main objectives of the malt industry is to improve permanently the raw material quality through agrotechnical discipline and to speed up the reconstruction and modernization of the industrial basis. To improve malt quality, manufacturing capacities have to be expanded. The profits we get from overloading the manufacturing equipment are not high enough to justify the resulting worsened quality.

Apart from improving the general quality of malt, it is most important right now to resolve the questions related to the content of nitrosamines in malts. This can be achieved only through cooperation between agricultural and food industries.

Research in this area will concentrate on cultivating feed barleys morphologically different from malt barley and to improving the quality of malt barleys. Apart from technological improvements of malt processing, the area of management must create good conditions for a cooperative relationship between agriculture, the procurement organization and the processing industry and implement principles of specialization to grow barley malt and ensure other quality production conditions.

#### Sugar Industry

With regard to the recommended limit of sugar consumption, we will consider the sugar industry from the point of view of increased exports of sugar and the efficiency of sugar beet production and processing. Given our present potential, the increase in sugar production can be achieved by increasing the sugar content (the area sown is 220,000 hectares).



The objective of research is to develop the cultivation of a one-sprout genetic seed with the at least 18 percent sugar content and develop harvesting machines with lower harvest losses and a soil and beet separation, to simplify production patterns and to complete the automation of production lines processing raw material. The management will see to adhering to the principles of proper agricultural technology, nutrition and conservation and also to building ventilation systems for beet storage yards.

#### Food Industry Technology, Mechanical and Power Engineering

The food industry mechanical engineering has a long tradition and can boast of great successes. Since the assortment of food processing machines includes 7,000 various types, it is obvious that all of them cannot be manufactured in our country and, therefore, it is necessary to consider all circumstances and decide, which machines will be exported now and in the future.

In designing food processing machines it is useful to realize the necessity aspects of broad knowledge not related directly to mechanical engineering (chemistry, technologic processes, microbiology, nourishment), the complexity of the equipment and the inevitable necessity to manufacture food processing equipment from rust-resistant materials.

The focus food industry production is the area of mechanical engineering about one third is imported and about 15-20 percent comes from our agriculture engineering plants. It follows from the foregoing that it is necessary to reinforce the position of food processing machine production the machine industry sector (by no means can the production be reduced). The, the food industry must formulate its requirements for research and development much more precisely.

At present, power consumption is a most important aspect. Nationally, the food industry uses only 5 percent of total industrial energy consumption. The food industry is not greatly affected by this fact, however, today limits are not determined by energy prices but by availability. For these reasons, we are not indifferent to the fact that our specific consumption is actually two times higher than in advanced countries. It is not only a question of serious boiler obsolescence (370 boilers are older than 40 years, 82 percent of the boilers in sugar factories are also older than 40 years) as well as other technological equipment. This situation requires both investments and technical research efforts, design departments and operation.

In the area of technology, research should establish appropriate research and development centers in the Strojbal sectoral enterprise, and the Food Industry Engineering Plant, Bratislava, enhance departments for food processing technology in sectoral research and development facilities, define the structure of technical research in ministerial food industry institutions, demand reinforcement of the research and development base in the machine industry sectors and to employ the research and development base to deal with problems in the area of automation and control.

As far as the area of management is concerned, it is necessary to reinforce the production in mechanical engineering plants in the sector of agricultural and nutrition sector demand expansion of food processing machine production by the heavy and general engineering sectors and to cooperate more effectively with CEMA countries.

#### Food Quality Requirements

At present, by quality we understand the nutritional, sensory and hygienic quality of food. Each of these qualities has its characteristic irreplaceable position.

Analyses by experts in this area show that attaining rational nourishment is more effective from the point of view of both production and society than mere increases of food production and consumption. If certain prerequisites are met, the set of organizational measures introduced in the manufacture can shift the center of attention to producing quality food with positive economic consequences for the society.

As our knowledge of the nutritional physiology increases, our demands for monitoring, and primarily ensuring the nutritional value of food increases as well. It is necessary to concentrate on limiting factors in our nourishment and factors which cause the largest losses during storage of raw food materials, their technological processing and storage of final products, or also in cooking meals in homes.

Given the conditions, primary attention must be paid to proteins. As for other nutrients, increased attention must be paid to lipides (primarily to the composition of fatty acids) and sugars, also to minerals and vitamins as essential factors.

From this point of view it will be necessary to pay attention to these factors not only in terms of research but also to incorporate them into Czechoslovak state norms and to supplement or replace the present criteria, which in many cases do not correspond any longer to our present requirements for quality control of food.

The sensory value is an inseparable part of the food product quality and it substantially affects the consumption of individual food industry commodities.

From the point of view of quality, sanitary requirements appear as very urgent at present. The sanitary requirements for food quality can be influenced both positively and negatively within the entire food processing chain, beginning with agricultural production and food processing to the area of distribution and sales and to consumers' homes or factory cafeterias.

In order to improve food quality, research must decide optimum dosage of chemicals needed to attain the required results. In the area of food processing, research must elaborate, unify and introduce methods to ascertain foreign substances and by-products, to study the possibilities of the behavior of residues in various environments and to develop technological data.

methods which could be used to reduce the residue concentrations in finished products. Medical institutions must determine norms for maximum permissible concentrations of foreign substances in agricultural products and food. The area of management should concentrate on equipping the facilities with instruments to monitor and control the content of substances in raw materials and food, to secure the inspection of imported feeders and food and through price adjustment to ensure purchase according to the quality in selected types of food (food products for children, malt etc.).

#### Conclusion

The present analysis of the situation in various areas of the food industry showed that a number of problems have been resolved in terms of research. In the next stage we consider absolutely necessary that all tasks proposed be thoroughly economically evaluated by experts in both the agricultural and food industry research and the area of management. From the basic materials prepared in this way it will be possible to determine priorities in dealing with all these problems, which will make the efforts to increase our independence in providing good nourishment most effective.

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FIRST QUARTER 1982 RETAIL TRADE SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 23 Apr 82 p 2

[Commentary by Jan Kumor, official of the CPCZ Central Committee: "Retail Turnover"]

[Text] For several years already the main focus of our economic policy has been on the aspects of quality of our material consumption which will determine increasingly more our living standard.

The fulfillment of the plan for retail turnover in the first quarter of this year was distinctly affected by higher retail prices of certain food and tobacco products, including price adjustments in public dining services. In view of the given potential of our production, this had set the preconditions for satisfaction of demands for choice selection of foods.

This had been preceded by the fluctuating direction of consumers' demands since the end of 1981, which also affected the volume and structure of supplies as a result of a price cut of certain types of industrial goods last October. Due to more expeditious deliveries from the production and to the distribution of goods to the retail network, trade restored the continuity of supply, especially of basic types of goods, toward the end of 1981 as well as during January 1982, when the exaggerated interest in purchase of food and non-food products continued.

Consequently, the plan for retail turnover was well exceeded during the first months of 1982. On the other hand, development of our domestic market, or as the case may be, in food sales after the introduction of price adjustments, slowed down conspicuously. Consumers' demand declined, and total volume of retail sales, particularly food sales, remained far behind the 1981 level.

Nevertheless, already during March the interest of the consumers gradually rose and retail turnover exceeded the preceding months as well as that for the same period of 1981. It was typical for the development of demand that all through that month keen interest of our population in food products was gaining intensity continuously through March, while the sales of industrial products were stepped up only at the end of that month. On the whole, the plan for retail turnover in the first quarter of 1982 was 102.3 percent fulfilled in major trade systems.

The purpose of the changes introduced in retail prices on 20 January was, among other things, to guide the development of consumption in accordance with the potential and with the interest of our society as well as with regards to wholesome and rational nutrition. However, contrary to this principle the consumers drastically changed their orientation, and this also affected their behavior. For example, those types of meats and meat products which once used to be in oversupply in the market were suddenly in short supply. On the other hand, following the increase of prices of types once in high demand, their consumption dropped conspicuously and their supply reached an appropriate level. The tendency to economize and to frugal has become evident in consumption of many food products.

Analogically, the consumption of meals and food in public dining facilities dropped during February and March; this was distinctly apparent especially in facilities included in higher price categories. Even in that area the development coincided with the development of food sales. Here, too, sales declined, although in centers of tourism and winter sports the heavy influx of tourists and high demands for services continued.

During the first quarter the supply of most of the current line of goods was adequate. Nevertheless, many problems still remain in meeting the demand, for instance, for sugar cubes and salt. Problems with the supply of vegetables involved the root and green-house vegetables; the supply of tropical fruit could not fully satisfy consumer demand. Serious problems were, and still are, caused by low supplies of fruit syrups. An unfavorable situation appeared in the supply of dairy products, particularly toward the end of the quarter. Furthermore, the demand for lard and fats containing lard had not been met. Sales of butter were up.

Consumers' interest in textiles and garments was focused entirely on products for the spring season. Especially less expensive types of bed linens, knit underwear, terry cloth, ready-made corduroy clothing, etc., were in short supply. As for industrial goods, certain models of black-and-white television sets, freezers, cheaper models of table radios, and for a long time already, of sewing machines, bicycles, cookware, etc., were in short supply. In the line of small retail goods, all kinds of winter sports equipment were in high demand, and problems appeared in the supply of hygienic products. In addition, more strains developed between the resources and the needs of the market for coal supply, due to the harsh winter weather.

All these problems reaffirm the fact that shortcomings in satisfaction of the justified interests of the consumers have been known for a long time and that despite all evident and efficient efforts to remedy some of those problems, they reached a chronic stage where a radical approach is needed to eradicate them.

Naturally, there can be no improvement without close coordination and cooperation of trade with production. As for the strained supplies of raw materials, the primary precondition here is the highest possible efficiency in their exploitation: deliveries to consumer goods inventory must be

skillfully negotiated by suppliers and consumers, so as to acquire merchandise which is highly sought in stores and does not gather dust in storerooms. The objective in the production of all kinds of goods is to search more and more for domestic resources in the first place and to find and utilize nonconventional materials and processes of production.

In terms of food, we count on the development of the potential for production by small cultivators and livestock breeders as one of the supplementary resources, particularly for meat, fruit and vegetables. Some other criteria must be applied to useful value of the products, such as longer durability, less packaging for sales purposes, the highest degree of industrial processing, speed and simplicity of final preparation of food at home, etc. In the trade and production of industrial goods interest must be focused on supplies of the currently upgraded products, especially durable goods (machinery, furniture), and in the line of textiles, most of all on goods with quality of the material for easier care and more attractive appearance. The common denominator of all those goods must be prompt introduction of latest trends in fashion.

Price adjustments alone cannot remedy the situation in domestic market and the quality of supply and sales. The living standard of our population will develop further mainly according to the development of efficiency in our national economy. Our primary target is to produce more and better products at the same or lower cost. The result was, is, and will be determined by the production of adequate supplies. This axiom has been fully confirmed in practice by the unfulfilled demand for eggs, lard, etc., which is directly linked with lower production and lower supplies.

Current changes in the structure of consumption have in turn aggravated certain problems, which calls for prompt increase of supplies of cheaper cuts of meat as well as of cheeses and eggs, although the process of setting a new trend in demands for price adjustments cannot be regarded as completed after such a brief period of their implementation. The trends and development of consumers' demand must be studied in every period and twice so now, when the trends of demand are adopting far more distinct form.

Nonetheless, the apparent problems and shortcomings now under criticism cannot be generalized. The supply of goods is adequate and there are great many workers in our retail business who are doing their job responsibly and conscientiously. Furthermore, our enterprises have the authority to adapt production programs to coordinate them better with the legitimate demands of our working people. The economic policies of the Set of Measures allow large enough space for that. The more vigorously we apply them in practice, the better will be the quality of our purchases.

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## CAPITAL CONSTRUCTION IMPLEMENTATION IN 1981 SUMMARIZED

Prague PLANOVANE HOSPODARSTVI in Czech No 4, 1982 pp 9-14

[Article by Engr Imrich Huzvar, State Planning Commission: "Realization of the Capital Construction Plan's Objectives in 1981"]

[Text] The basic objectives of the capital construction plan for 1981 stemmed from the economic necessity of increasing the utilization of invested resources and of ensuring the economy's effective development. In order to further improve the situation in capital construction, the state plan set the following task of primary importance: to reduce the excessive volume of capital construction in progress, to shorten the average construction time, to place the capacities in trial operation within the planned time limits, and to cut back the total volume of capital construction. To ensure these objectives, the state plan anticipated investment starts totaling 39.15 billion korunas in 1981, 38.3 percent less than in 1980. The purpose of this cutback was to aid the completion of the individual projects. At the same time, special attention focused on the category of capital construction projects designated as obligatory tasks of the state plan.

## Achieved Actual Results, General Trend

Already the results in fulfilling the planned volumes of construction work and deliveries of machinery and equipment for capital construction during the first half of 1981 were not the most favorable. The situation did not improve even in the second half of the year. As a result, the objectives of the plan were not fulfilled, neither in terms of volume nor in terms of the physical content of the investments. Fulfillment of the plan in terms of volume was 97.4 percent, lower than in 1980. The volume of construction work and deliveries of machinery and equipment for capital construction projects in 1981, without "Z" [community self-improvement program] projects and private construction by the population, reached 133.2 billion korunas. This is 3.6 billion korunas less than what the state plan had anticipated. The 1981/1980 index was 97.8.

Plan fulfillment was 96.9 percent for construction work, and 98.0 percent for deliveries of machinery and equipment. At the same time, plan fulfillment of the total volume of construction work and deliveries reported for the CSR (98.3 percent) was better than for Slovakia (95.7 percent). In both national republics plan fulfillment of machinery and equipment deliveries was better than plan fulfillment of construction work in place. The latter was 98.1 percent in the CSR, and 94.8 percent in the SSR.

Similarly as in 1980, better results were achieved in the volume of work and deliveries for projects not exceeding 2.0 million korunas, and in the case of machinery not included in the project budgets (99.7 percent) than for projects with budgeted costs exceeding 2.0 million korunas (96.1 percent). The following table shows plan fulfillment in greater detail, including a breakdown by territory and structure.

	ČSSR			ČSR			SSR		
	Roční plán (v mld. Kčs)	Skuteč. (v mld. Kčs)	%	Roční plán (v mld. Kčs)	Skuteč. (v mld. Kčs)	%	Roční plán (v mld. Kčs)	Skuteč. (v mld. Kčs)	%
(3) Objem prací a dodávek celkem [bez akce Z a soukr. výst. obyv.]	136,8	133,2	97,4	88,4	86,9	98,3	48,4	46,3	95,7
(4) v tom: stavební práce	76,7	74,3	96,9	48,7	47,8	98,1	28,0	26,5	94,8
(5) stroje a zařízení	60,1	58,9	98,0	39,7	39,1	98,6	20,4	19,8	96,8
(6) Objem pro stavby do 2 mil. Kčs RN	55,2	55,1	99,7	38,3	38,0	99,2	16,9	17,1	101,0
(4) v tom: stavební práce	14,9	16,1	107,8	9,8	10,7	108,7	5,1	5,4	106,2
(5) stroje a zařízení	40,3	39,0	96,7	28,5	27,3	95,9	11,8	11,7	98,7
(7) Objem nad 2 mil. Kčs RN	62,6	60,1	96,1	38,2	37,5	98,1	24,4	22,6	92,5
(4) v tom: stavební práce	42,9	40,4	94,1	27,1	25,9	95,5	15,8	14,5	91,8
(5) stroje a zařízení	19,7	19,7	99,8	11,1	11,6	104,5	8,6	8,1	93,8
(8) KBV a drobní investoři	18,9	18,0	95,4	11,8	11,3	96,0	7,1	6,7	91,4
(4) v tom: stavební práce	18,8	17,8	94,4	11,7	11,1	94,9	7,1	6,7	91,3
(5) stroje a zařízení	0,1	0,2	254,6	0,1	0,2	247,5	—	—	—

Key:

- |   |   |
|---|---|
| 1. Annual plan (billion Kcs)  | 5. Machinery and equipment  |
| 2. Report (billion Kcs)   | 6. Volume for projects with budgets not exceeding 2.0 million Kcs |
| 3. Volume of construction work and deliveries jointly (without "Z" projects and private construction) | 7. Volume for projects with budgets exceeding 2.0 million Kcs     |
| 4. Of which: construction work  | 8. Comprehensive housing construction and minor investors         |

An unfavorable phenomenon is the relatively considerable shortfall in construction work, despite the fact that the weather throughout the entire year was very good. It is indeed evident that some construction organizations did not react in time to the change in the structure of investment on projects with budgets exceeding 2.0 million korunas, nor to the effect of the new instruments of management stemming from the Set of Measures, and to the curtailment of investment starts to which it was necessary to adjust the structure of supplier capacities. Of course there were shortcomings also in fulfilling the deliveries of technology. The shortfall in deliveries of machinery and equipment was 1.1 billion korunas, but there are problems particularly in physically securing the individual projects and in placing the capacities in trial operation. A favorable phenomenon is that fulfillment of deliveries of technology for projects exceeding 2.0 million korunas is better than in the case of machinery not included in the project budgets.

Throughout the entire year, the volume of construction that the construction organizations performed with their own personnel dropped 2 percent in comparison with 1980. The state plan had anticipated a 2.7-percent increase of this volume. The



causes of the shortfall lie primarily in the shortcomings in work organization, in the composition of the workforce by trades, in the dissipation of construction capacities, and in the structure of the material-technical base.

However, shortcomings must not be sought only in deliveries of construction work. The shortfall in deliveries of technology was 1.2 billion korunas. Similarly as in 1980, the problems in physically securing the individual projects continued, as a result of which a series of important production capacities were not placed in trial operation within the specified time limits.

In housing construction the shortfall in the volume of construction work and deliveries was 870 million korunas. As a result, only 94,100 housing units were completed, 15,700 fewer than what the state plan had anticipated. Of the total number of completed housing units, 18,700 were municipal construction projects, 33,200 were cooperative construction projects, 12,700 were built by enterprises, and 29,500 were built by private individuals.

#### Securing Capital Construction on Projects Designated as Obligatory Tasks

In accordance with the methods for the Seventh Five-Year Plan, a new classification of capital construction projects has been introduced beginning with 1981. The old category of "Selected centrally reviewed capital construction projects scheduled for completion as obligatory tasks" has been abolished. The 1981 plan included a number of projects in this category, especially the construction of more important production capacities, among the capital construction projects designated as obligatory tasks. For this reason the number of projects realized in 1981 within the framework of this selected set of priority projects increased to 353.

The 1981 plan called for supplying 26.5 billion korunas of construction and deliveries on these projects, or 27.1 billion korunas including also the capital construction projects in North Bohemia Kraj. From the viewpoint of the volume of the planned tasks it can be established that the plan's objectives were fulfilled and overfulfilled in terms of both construction work and the deliveries of technological equipment. However, these results in terms of volume are not adequate for fulfillment of the individual projects' tasks in physical terms, nor are they fully comparable with meeting the time limits for completion and for placing the capacities in trial operation. In other words, fulfillment of merely the volume indicators, if they are not in accord with fulfillment of the tasks in physical terms within the specified time limits, cannot be the criterion of the fulfillment of capital construction within the time limits set by the plan for trial operation and completion of the work on capital construction projects. [See table, next page.]

The mentioned problems and shortcomings in securing capital construction on the individual projects resulted in that the tasks set for the completion of capacities were not fulfilled. Of the 119 capacities that were to have been placed in trial operation in 1981, only 80 (61.1 percent) were completed. These include, for example, the following:

--VZKG [Klement Gottwald Iron Works of Vitkovice] Ostrava--expansion of the gear-cutting shop;

--Bukoza Vranov--intensification of the pulp mill;

		(3)				Index		
(1)	Závazné úkoly	(2)	Státní plán	Skutečnost	(4)			
(5)	Rok	(6)	Počet staveb	(7)(v mil. Kčs)	% plnění	$\frac{1979}{1978}$	$\frac{1980}{1979}$	$\frac{1981}{1980}$
			a) celkem	c) stroje				
			b) st. práce					
1978	223	a)	23 742	24 746	104,2			
		b)	12 077	13 003	107,7			
		c)	11 665	11 743	100,7			
1979	227	a)	26 241	26 901	102,5	108,7		
		b)	14 127	14 652	103,7	112,7		
		c)	12 114	12 249	101,1	104,3		
1980	246	a)	27 068	27 792	102,7		103,3	
		b)	14 270	14 293	100,2		97,5	
		c)	12 798	13 499	105,5		110,2	
1981	353	a)	27 073	28 258	104,4			101,7
		b)	13 986	14 855	106,2			103,9
		c)	13 087	13 403	102,4			99,3

Key:

- |                        |                       |
|------------------------|-----------------------|
| 1. Obligatory tasks    | 6. Number of projects |
| 2. State plan          | 7. Million korunas    |
| 3. Report              | a. Jointly            |
| 4. Percent fulfillment | b. Construction work  |
| 5. Year                | c. Machinery          |

--NHKG [Klement Gottwald New Metallurgical Works] Kuncice--the No 11 coking battery;  
 --Prerovske Strojirny (Prerov Engineering Works)--heavy machinery assembly plant;  
 --No 2 capital construction project at the Zdenek Nejedly Strip Mine in Rtyne;  
 --Hodonice grain silo;  
 --No 2 capital construction project at the Most Strip Mine;  
 --Cerny Vah pumped-storage electric power plant;  
 --Michalovce Tile Plant (Obkladacky); and others.

The Ruzomberok Pulp Mill, the Michle Power and Heating Plant, the new refinery at CHZ CSSP [Czechoslovak-Soviet Friendship Chemical Works] in Zaluži, and the Trmice Power and Heating Plant were placed in trial operation with moderate delays.

We failed to place 41 capacities in trial operation in 1981. Most of them are productive capacities, and their outputs had been taken into account in course of drafting the 7th Five-Year Plan. Thus failure to meet the time limits will result in considerable economic losses. The unfinished capacities include:

--Bucina Zvolen, modernization of DTD [expansion unknown];  
 --Bukoza Vranov, furniture plant;  
 --CZM [Czech Motorcycle Works] Strakonice, turboblowers;  
 --The Brno North Power and Heating Plant;

--Tatra Koprivnice, assembly and body shop, engines and transmissions;  
 --UTB [expansion unknown] Bratislava;  
 --TAZ [Trnava Automobile Works] Trnava Agrovuz (Farm Truck) first phase;  
 --Likier Hnusta, industrial rubber;  
 --Pharmaceutical building in Hlohovec;  
 --Dunajska Streda Meat-Packing Combine;  
 --Matador Bratislava, phase II of plant expansion; and others.

#### Active Approach to Fulfillment of Tasks

Last year was the first phase in fulfilling the tasks stemming from the conclusions of the 16th CPCZ Congress, and from the law enacting the Seventh Five-Year Plan. In the course of this, the functioning was also tested of the new economic instruments from the Set of Measures for Improving the Planned Management System of the National Economy.

The results achieved in capital construction in 1981 reveal, besides a series of positive factors, also certain serious problems. In comparison with 1980, for example, the situation in placing new capacities in trial operation worsened. This fact is not accidental. Concentrated in it are the persisting problems in securing in physical terms the progress of capital construction on most projects, in fulfilling both the planned volume of construction work and the planned deliveries of technology. The 16th CPCZ Congress critically evaluated the overall situation. From its conclusions, and also from the directives for drafting the 7th Five-Year Plan, there follows the need to change the structure of investment and to cut back the total volume of new investment starts. These tasks, which were to influence the volume of capital construction in progress and strengthen their completion, were already incorporated in the indicators of the 1981 plan. However, many supplier organizations (particularly in the construction industry) and their supervising organs did not react in time to this altered situation, and to the essential need for the structural transformation of supplier capacities. In a number of instances they limited themselves merely to proclamations by economic officials, and these were not followed up with specific measures at the enterprises and plants. At the reduced volume of investment starts, construction capacities were thus not fully utilized. Efforts to beef up capacities intended for the completion of capital construction projects, as anticipated by the plan, failed.

This was one of the reasons why the total volume of construction work in 1981 declined in comparison with 1980. Among other things, also the economization measures to ensure the economy's supply with petroleum and fuels had a certain unfavorable effect on fulfillment of the tasks at the end of the year. This of course does not excuse all the mistakes and shortcomings, as some managers are attempting to excuse them in this manner.

An improvement of the overall situation in the realization of capital construction clearly demands that capacities be adjusted to the needs. Their structural change, if not already made, must be implemented everywhere and at an accelerated rate. For we cannot agree with the views "What will we do with certain types of capacity if this or that project is not started" and start certain types of projects merely

because there are idle capacities. The approach must be the exact opposite. We will build what is essential for the operation of our economy, in agreement with the overall possibilities for investing. The appropriate organs and organizations must subordinate to these needs the structure of supplier capacities, whether in construction work or in ensuring the technological deliveries and installation work. We have no other choice. A task of primary importance within this framework is to better master the completion cycle, and thereby to significantly improve the placing of capacities in trial operation within the specified time limits, in all categories of construction projects and in the case of obligatory projects in particular. Also here, despite the very good fulfillment in terms of volume, the tasks in 1981 were fulfilled only 61.1 percent, and a number of important capacities that were to strengthen our production potential were not completed.

I have already mentioned the problems of project management and control, in my contribution at the beginning of 1981 (cf PLANOVANE HOSPODARSTVI, No 3, 1981, pp 13-18). In conjunction with evaluating the report data for last year, and the experience gained with the realization of the projects, I find it necessary to again mention certain problems in this area. Practice has unambiguously demonstrated that the critical path method is a very effective tool for the operational management of capital construction. Despite this, some economic workers underestimate its value and are not devoting as much attention to planning project management and control as it deserves. This is evident also from the fact that at the end of 1981 approved project management and control procedures were still lacking on 43 of the obligatory projects. Here again the tasks assigned to central organs by the government resolution concerning the 1981 plan have not been fulfilled. An analysis of the results in securing capital construction on the projects in this category indicates that the contradictions are not always solved in due time, or are solved only perfunctorily in terms of the volume indicators, without any conclusions about securing capital construction in physical terms, etc. I believe that the mentioned practice is a gross violation of discipline and of the statutory regulations in capital construction. The supervising organs should take action against all officials who, by their irresponsible approach and dereliction of duty, are causing serious problems and delays in capital construction, in the completion of the projects and capacities. To improve the situation it is necessary to use more widely than up to now also the principles of economic incentives for the personnel in capital construction, including wage preferences and target bonuses. But in no case should they be offered on projects where the set tasks are not being fulfilled, and in cases when extensions of the time limits for completion have been granted.

In conjunction with the evaluation of the results in capital construction last year, it can be established that the investor organs and organizations are still not making adequate use of the statutory regulations in their negotiations with suppliers, in attempting to solve the conflicts that arise in the course of securing capital construction.

The sanctions and penalties that the law and the economic system permit are not being applied adequately, for fear of possible countermeasures by the supplier (suspension of work, etc.). Therefore investors prefer to enter into various agreements that do not advance the progress of capital construction and merely serve to delay discovery of the fact that something is wrong on the construction projects. If the control audits are scheduled properly, and if the supervising and central organs exercise more consistent control, these phenomena can be avoided, and the problems can be solved in time.

The results achieved in 1981 are not the most favorable. In comparison with years past, particularly the startup of new capacities worsened. This situation should be subjected to thorough analysis and criticism at every level of management, by both investors and suppliers.

We have completed the first year of the 7th Five-Year Plan. On the basis of the experience gained, we must quickly adopt effective measures to remedy the mistakes and shortcomings and, by intensifying our efforts, eliminate also the poorer results in the fulfillment of the tasks in physical terms on the individual projects. On this occasion I would like to refer to the provisions of the organizational measures to ensure the state implementation plan for 1982, which state: "If on an obligatory project the prerequisites are not attained for fulfilling the volume of work and deliveries anticipated in 1981, the participants in capital construction are obliged to raise the tasks of the 1982 state plan by the amount of this shortfall, to correct and update their critical path diagrams and project management and control procedures, and to secure the time limits set for the commencement of trial operation and the completion of the projects."

At the same time, the timely completion of production capacities, the reduction of the volume of capital construction in progress, the shortening of the average construction time, and cutback of the scope of capital construction are the basic objectives of the capital construction plan, stemming from the conclusions of the 16th party congress and the 5th session of the CPCZ Central Committee. It is the primary obligation of all management personnel to elaborate the securing of these tasks in accordance with the specific conditions of each construction site. At the same time, the results of 1981 show where our weaknesses lie, where we have to improve the situation in fulfilling the tasks in conjunction with the realization of the projects, in the management process, and in controlling fulfillment of the set tasks.

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CSO: 2400/255

## CZECHOSLOVAKIA

### BRIEFS

CSSR MOTORCYCLE PRODUCTION--The CSSR produces annually about 120,000 motorcycles with a capacity of less than 50 cubic meters, and more than 130,000 larger ones. Last year more than 60,000 Jawa motorcycles were sold to the USSR; this year's contract envisages the sales of 71,000 machines, as payment for imports of Soviet crude oil, gas and iron ore. In terms of money this amounts to Kc\$1 billion. The motorcycles exported to the USSR come from the Jawa National Enterprise in Tynec Nad Sazavou. Apart from that, the Strakonice works are selling the USSR almost 20,000 350-cubic meter motorcycles. [Prague RUDE PRAVO weekend supplement in Czech 15 May 82 p 5 AU]

NEW FACTORY PROJECT--The foundation stone for a new machine-tool production plant was laid on 14 May in Spisska Nova Ves, Slovakia. The costs will amount to Kc\$206 million and the project is to be completed within 40 months. [Prague PRACE in Czech 15 May 82 p 3 AU]

CSO: 2400/267

GERMAN DEMOCRATIC REPUBLIC

ENERGY SAVINGS SEEN IN FURTHER ELECTRIFICATION OF RAIL LINES

East Berlin SIGNAL UND SCHIENE in German Vol 26 No 2, Mar 82 (signed to press 5 Feb 82) pp 55-56

[Article by Manfred Hahn, engineer, director, Electrification Department, Deutsche Reichsbahn (DR. GDR Railroad), Ministry for Transportation: "Electrification of Deutsche Reichsbahn Lines--An Important Rationalization Task of the Railroad Workers and Their Cooperation Partners." Excerpts from a January 1981 speech by Minister for Transportation Otto Arndt, cited in footnote 1, outlining railroad electrification for the 1981-85 Plan have been translated in JPRS 78041, 11 May 81, No 2124 of this series, pp 2-8]

[Text] In regard to the fulfillment of the program concerning electrification of approximately 770 kilometers of much-traveled track of the German Railroad during the five-year plan period up to 1985, the year 1981 was an important starting point. The objective was significantly to increase the electrification rate as compared to the performance of the preceding year and to create the preconditions--through the preparation of additional track, the development of more efficient technological procedures and an appropriate capacity development--for attaining in 1982 and in the following years further high rates of acceleration of the electrification program.

Results of the 1981 Plan Year

The great efforts put forth by all of the collectives involved are reflected in the results of the 1981 plan year. With the punctual startup of the 47-kilometer Elsterwerda-Uckro section of the Dresden-Berlin line and of the 25-kilometer Luckenwalde-Ludwigsfelde section of the Leipzig/Halle-Berlin line, including the Doberlug and Ludwigsfelde transformers stations, the plan targets were attained. In addition, the following programs--in excess of the plan targets--were completed: On 16 December 1981, the 14-kilometer Uckro-Golssen section was opened to electric trains and headway was made in regard to pylon foundation in the capital of Berlin and at the Berlin Outer Freeway and in regard to pylon assembly and train capacity expansion.

The 86 kilometers of railroad track electrified in 1981 represent a higher rate of increase as compared with the period from 1977 to 1980; the transport capacity of the electrified lines increased by approximately 2 percent over 1980.

Proceeding from the Transport Ministry Conference for Electrification of German Railroad Lines in January 1981,<sup>1</sup> all participating state-owned enterprises and all agencies and institutions of the German Railroad put forth efforts in 1981 to tap reserves for the further acceleration of the electrification rate, for the reduction of the construction times and for the reduction of input. These efforts were concentrated above all on the development of new technologies for pylon foundation and pylon assembly. As a result of close cooperation among the Railroad Construction Office, the German Railroad Berlin Electrification and Engineering Enterprise (EIbb) and the Institute for Railroad Affairs, significant progress was made. This goes for

- increased use of prefabricated concrete parts for pylon foundations;
- introduction of direct foundations for reinforced concrete pylons;
- more efficient excavation and concreting procedures for local concrete foundations;
- introduction of high-performance equipment such as Poclain excavators equipped with drilling devices; development and construction of concrete mixing trains in the EIbb;
- introduction of pile-driving technology for pylon foundations at railroad stations.

To facilitate the assembly of power lines, the Stendal Railroad Works has made available additional power line-assembly cars.

#### High Degree of Efficiency Through New Technologies

The helicopter technology developed by the Halle/Leipzig High-Voltage Installations and Power Line Construction VEB and by Interflug [GDR Airline] again proved very successful. It helped significantly to reduce the power line preassembly times and to minimize the shut-down periods. Due to the application of this technology--involving aerial transport of the pylons, of the rail power lines and of the traverse beams at railroad stations, labor productivity increased 14-, 5- and 11-fold, respectively.

On account of the new technical and technological procedures, it was possible in the electrification work on heavily used lines to reduce the work spells and better to utilize the shut-down periods. However, the possibilities offered are still not fully utilized on account of shortcomings in regard to production preparation and an insufficient supply of auxiliary labor and equipment. Proceeding from the experience gained in 1981, we must insure that in the track electrification all workers show a high degree of discipline, steadfastness and efficient cooperation.

#### Performance Increase Presupposes Greater Efficiency of the Preparatory and Planning Processes

To effect the requisite performance increase in the electrification program, it is necessary more effectively to tap the available reserves in all fields, to enforce large-scale application of modern technologies, more quickly to produce results in the scientific-technological work while drawing more strongly on experts and on the innovator and rationalization movement, to improve the efficiency of the preparatory and planning processes, and to insure marked performance increases in this field.



Of great importance for solid production preparation is the timely presentation of the project documents. The quality of these documents--based on a detailed analysis of the underground construction area, the available construction site and the projected and available railroad installations, safety and telecommunication devices and high-voltage installations--determines the organization of the construction and assembly process. In this regard, the central departments still allow too many uncertainties and changes during the planning phase. It still happens--all too frequently--that agencies

- transmit the documents to the contractor too late, that they transmit incomplete documents or that they do not include the results of the cable search team or of test excavations;

- are careless in the development of a construction area;

- in the event of parallel repair or investment projects, permit deviations in regard to the documents to be transmitted or in regard to their belated completion.

Thus, the planning work in 1981 was characterized by an excessive share of planning changes and construction startups had to be put off, which delays affected the overall technological schedules. Consequently, the agencies of the respective central departments are expected to show greater consistency and accuracy in the preparatory phase. In regard to the development of the underground area or of the construction site, it is necessary to develop more efficient procedures or better to utilize the available possibilities.<sup>2</sup>

Further performance increases in the new construction program for track electrification presuppose enormous intensification of the preparatory and planning work. Since there is only a limited number of special cadres for the planning of power line installations and for the adaptation of the safety and telecommunications installations, reduction of the existing backlog has been too slow. For this reason, it is necessary--aside from capacity expansion measures--quickly to utilize all possibilities concerning reduction of the planning input and application of more efficient preparatory and planning procedures. The measures started in 1981, e.g.

- uniform spacing of the pylons on the open line in the so-called track area;

- introduction of tolerances in the construction operations in regard to problems in the underground area;

- preparation of simplified project documents tailored to the requirements of the construction site, documents that give the construction site supervisor broader decision-making powers and greater responsibility

must be continued systematically and consistently. As for acceleration, however, these measures will be effective only if as a result of the scientific-technological work the number of presently used foundation and pylon types is reduced in favor of reinforced concrete pylons.

As regards the present foundation processes, the share of local concrete foundations is decidedly excessive and too expensive. For this reason, we must do our utmost--by means of direct foundation of reinforced concrete pylons, a narrow assortment of prefabricated parts and increased employment of pile-driving technology at the stations and on the open track--to restrict the local concrete foundations to exceptional situations. These more efficient construction and assembly technologies offer the main contractor foundations and they provide the Eibb and its subcontractors with various simplified preparatory technologies and with the means of concentrating the construction operations and of making better use of the shut-down periods.

The intensified concentration of the construction and assembly operations on heavily used lines makes it increasingly necessary to implement--by means of good construction preparation and optimal utilization of the shut-down periods--the "drive and build" principle. The technological procedure used so far--excavation of the construction site, concreting and pylon assembly or casting during individual or continuous shut-down periods--must be changed as soon as possible and complex machinery chains must be established before the end of 1982. Within a single shut-down period, a machinery chain will then have to carry out in one operation the excavation of the construction site, the setting of the pylon or of the prefabricated part, and the casting.

#### Numerous Requirements Concerning Adaptation of SF Installations

The requisite measures concerning adaptation of the safety and telecommunications installations are another focal point of the electrification program. Even though the capacities for preparation and execution in this field are presently used primarily for track electrification, it is necessary--in view of the great needs of the German Railroad--to employ this technology most economically. In the interest of reduction of investment-intensive safety measures in regard to adaptation of SF installations (in connection with track electrification) for the protection of persons and installations against electromagnetic effects, the Work Paper No 15--entitled "Maximum Permissible Exposure"--was drawn up last year. Although its application necessitates increased preparatory and planning expenditures, it is indispensable for reduction of the construction and equipment input.

Proceeding from the experience gained in 1981, one can safely say that provided that there is good cooperation among all parties involved in regard to preparation, construction and assembly, that the workers' creativity is better utilized and that the aforementioned technical, technological and organizational possibilities concerning a more efficient implementation process are systematically developed, there are good chances of further accelerating the rate of electrification in accordance with the requirements. In regard to the high degree of complexity of the task of track electrification on the basis of the "drive and build" principle, it is necessary to insist on strict organization and consistent action on the part of all departments and agencies of the German Railroad so as to insure steady operation. This includes the following: The railroad administrations must provide the requisite number of safety sentinels, supervisors, team leaders and equipment operators; the large-scale assembly machines and work train locomotives must be deployed punctually before the beginning of the shut-down period, and measures such as deforestation, cable laying and clearing of bridges, high rise structures and similar

objects must be carried out well before the beginning of the construction and assembly operations.

#### Electrify 140 Kilometers of Track in the Current Year

In 1982, the rate of electrification must be accelerated so that a total of 140 track kilometers can be put in operation and preparatory work for 1983--above all in regard to the foundation program--can be carried out toward startup of electrified train operation on further sections of the track to Berlin and via the western Berlin Outer Freeway to Rostock. At the same time, work must begin on the foundation projects of the Magdeburg-Stendal line. The primary objective is by the first change of the 1982 schedule for the Golssen-Ludwigsfelde line to start electric train operation up to Seddin. This calls for highly concentrated work on the part of all assembly collectives and railroad workers. Moreover, the Radebeul Energy Construction VEB and the BMK East VEB are to put in operation the Wunsdorf Transformer Works by September 1982.

Every kilometer of electrified track makes it possible to reduce the share of diesel traction and thus to make available diesel fuel. Thus during the plan discussion the collectives of the construction and assembly enterprises set themselves the task by the end of 1982 to complete the 44-kilometer Seddin-Saarmund-Priort section for electric train operation. Through continuation of the construction and assembly operations at the Wustermark-Birkenwerder, Nauen-Albrechtshof and Hennigsdorf-Velten sections, the foundations must be laid for the other startups planned for 1983.

In the interest of further diesel fuel economy, it is necessary to determine--in close collaboration with the operational departments, with the construction and assembly operations being continued--to what extent the finished track sections can be used immediately, before the projected startup date, and how one can technically prepare for this. In regard to the implementation of the new construction program, every kilometer of electrified track contributes to the successful implementation of the GDR energy policy adopted by the Party and the Government.

#### FOOTNOTES

1. "Electrification of the German Railroad--a Decisive Contribution to Efficient Energy Use in the GDR," SIGNAL UND SCHIENE, Vol 25 No 2, 1981, pp 55-56.
2. Leyn, H. "Results of the OBEDR Cable Search Team in the Location of Underground Installations," SIGNAL UND SCHIENE, Vol 26 No 1, 1982, pp 40-42.

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GERMAN DEMOCRATIC REPUBLIC

MINISTRY ISSUES FINANCING GUIDELINES FOR STATE ENTERPRISES

New Law Explained

East Berlin DIE WIRTSCHAFT in German Vol 37 No 4, 8 Apr 82 p 19

[Article by Dr Ilona Fuchs and Gerhard Boeber, Finance Research Institute, GDR Ministry of Finance: "Great Responsibility for an Effective Financial Policy." A translation of the new financing guidelines discussed below follows this article]

[Text] The new financing guideline combines combine and enterprise economic accounting with the interest in a perceptible improvement of the cost/benefit ratio. The real industrial output becomes more of a criterion for the economic performance contribution. Financial liabilities to the state budget have to be met in full. Efficiency and liquidity are more closely linked. For overfulfilled performance quotas the bank grants preferential credits.

The implementation of the economic strategy issued by the 10th SED Congress makes new demands on the combines' economic accounting and financial policy. Appropriate measures were passed on that by the SED Central Committee Politburo on 3 November 1981. Those resolutions provide for a closer connection between the economy of the scientific-technical progress, cost accounting and economic accounting.

Based on the plan, the new financial policy measures aim at raising combine and enterprise responsibility for providing the financial means and improving their effective economic utilization, attaining an increasingly better cost/benefit ratio, and deriving a high net income for society from it.

The new financing guideline (GBL, Part I, No 5, p 113) resolutely proceeds from still more closely connecting the economic accounting of the combines and enterprises in all the fields of our economy with the requirements of the economic strategy for the 1980's and reinforcing the interest in improving the cost/benefit ratio as the most important source for economic growth. The economic accounting and financial policy of the combines and enterprises are thus fully oriented to intensification, i.e. a better use of the qualitative factors in economic growth. That, in particular, heightens combine and enterprise responsibility for cost reduction and for

producing revenue as a basis for their systematically forming their own funds and as a decisive source for financing our economic and social policy.

Typical of the new financing guideline, therefore, are, in particular, the following basic requirements:

1. A rigid control over cost reduction is the decisive prerequisite for high efficiency. The measures for further developing the financial policy based on the plan focus mainly on ensuring high efficiency in our reproduction process. What is wanted in particular is to enforce the demands made on cost reduction per every M 100 of commodity production as the main source for revenue growth. That calls for further improving planning and cost accounting and analysis, as spelled out in part II of the order.

In 1981, total prime costs in industry were saved at a rate of more than M 1 billion which reduced costs by 1.5 percent compared with 1980. These savings could have had a still greater effect on the national income, had there not been some enterprises that exceeded their costs.

As industrial cost reduction, i.e. mainly the reduction in production consumption, will become the crucial factor for the growth of our national income, we must more rapidly than we have and more effectively react to cost excesses occurring. That is why cost reports have been ordered as a new element in our financial policy, wholly for strengthening the active role of finances. The new regulations demand that when planned costs are exceeded, cost reports have to be made within 4 weeks. The causes for losses have to be thoroughly analyzed in them and measures have to be taken to recover the planned development. All this aims at heightening state discipline in abiding by planned costs and benefits and taking effective measures in time when the planned plan yield is in jeopardy.

2. Obtaining the planned efficiency and meeting the financial obligations the combines and enterprises have to the state therefore are decisive demands in the new financing guideline. An important concern is to provide full conformity between the financial policy of the combines and enterprises and the high demands of the 1981-1985 Five-Year Plan on the efficiency growth of social production, turning the industrial output actually achieved into still more of a criterion for the industrial contribution to economic performance. This puts more of an emphasis on producing industrial results as a source for passing planned revenues on to the state budget and on the formation of enterprise funds of their own. It is important to strengthen the connection between performance and efficiency development on the one side and the formation of funds of their own, on the other. In accordance with the stipulations of Article 20 in the decree on the further perfecting of economic accounting, the prevailing principle is that the combines and enterprises have to meet their financial obligations to the state budget at the planned rate. It still holds true even when the planned revenue can for a while not be fully produced. Then the combines and enterprises have to use their own funds. In any event, of course, wage and bonus payments to the working people in accordance with their performance and the provisions applying to it, will be ensured.

If the full commitment to the state is not ensured even though all available means were used, special decisions have to be made within the scope of status reports. Definite decisions have to be made in such cases at the end of the year by the competent minister in concurrence with the minister of finance and the president of the State Bank about the allocation of funds, the passing on of the net revenue to the state budget and the credit redemption.

3. To concentrate funds completely on the plan tasks, strengthen currency control and provide a close bond between efficiency and liquidity, it was decided that the planned financial funds of the combines and enterprises themselves have to be accrued purposively in equal monthly rates, depending on the fulfilment of planned performance and efficiency targets.

For that reason the monthly rates have to be made dependent on the plan quotas broken down by months in the ratified quarterly plan and transferred into special bank accounts from operational accounts at fixed schedules. In cases where one cannot depend on revenue production, e.g. in funds formed at the expense of prime costs, one should always proceed from one-twelfth of the anticipated and planned fund accrual per year.

To enable the combines and enterprises to finance the reproduction process according to plan from the first of the year, the regulations provide for allocating the currency fund as early as in the first quarter of the plan-year. If there is a temporary gap between producing the means for fund accruals according to plan and the time when funds are needed for plan implementation, credit applications to the bank may be made in accordance with Article 11 of the new credit decree.

To encourage the overfulfillment of planned performance and efficiency quotas, the bank grants extra credits on preferential terms, especially to cover financial needs in currency for the production and use of additional industrial robots and other means of rationalization, for the production of additional spare parts and a rational full capacity use of shipping space.

Measures have also been set down, however, that make it impossible to bridge over liquidity difficulties by not paying the suppliers.

If there are payment difficulties, the bank can grant the enterprises a payments credit up to 90 days at an interest rate of 12 percent. The object of such measures is to enhance payment discipline vis-a-vis contract partners.

The new regulations issued are a guideline for action. On their basis we must organize the effort for meeting the 1982 plan in every way and thereby actively implementing the new decisions. For the main bookkeepers in the combines and enterprises it is important to adapt their preventative and predictive activity as comptrollers fast to the level of the new tasks through close cooperation with the finance and banking organs.

## Text of Guidelines

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I  
No 5, 17 Feb 82 pp 113-124

[Official text of "Order of 28 January 1982 on Financing Guidelines for State-Owned Enterprises," signed by Ernst Hoefner, minister of finance]

[Text] For further perfecting economic accounting in accordance with the 10th SED Congress resolutions, the following is set down:

### Article 1

The financing guideline for the state-owned economy (appendix) is being put into effect.

### Article 2

(1) The guideline applies to state-owned combines and economic management organs (henceforth referred to as combines) and to state-owned enterprises (henceforth referred to as enterprises) in the field of the industrial ministries and the ministry for construction industry. It also applies to the industrial combines and enterprises and those of construction under the bezirk councils. The guideline does not apply to the foreign trade enterprises.

(2) The guideline applies accordingly to the other areas of the centrally or locally managed state-owned economy.

(3) The competent ministers and managers of other central state organs may make branch-specific arrangements in concurrence with the minister of finance, based on the financing guideline.

### Article 3

(1) This order goes into effect when promulgated.

(2) Rescinded at the same time are:

--The financing guideline for the state-owned economy as of 21 August 1979 (GBL Part I, No 28 p 253), and

--the financing guideline for the state-owned enterprises and combines under the economic bezirk councils and for the state-owned enterprises of the local supply economy as of 19 September 1979 (GBL Part I, No 32 p 302).

### Appendix to Above Order

#### Financing Guideline for the State-Owned Economy

##### I The Planning and Use of Net Revenue

1. Combines and enterprises, in conformity with legal regulations, have to plan their integrated operational objectives or operational objectives (henceforth referred to as integrated objective).

This they have to base, in conformity with state plan parameters assigned and while using the prices as set down in legal regulations, on the following:

- Revenue from commodity production and other turnover;
- the plannable prime costs of commodity production and other turnover;
- export revenue and costs; and
- the revenue from foreign trade enterprises attached to combines.

2. Combines and enterprises have to plan their net revenue on the basis of the state plan parameter called "net revenue." Net revenue is to be determined as follows: Integrated objective plus allocations according to legal regulations minus production fund levy minus the use of the results of the foreign trade enterprise.

3. The use of net revenue according to the planning order<sup>1</sup> is to be planned, in conformity with the tasks set down in the plan, in the following sequence:

(a) Enterprises

- Net revenue obligation to the state, at least at the rates set down by the state plan parameters,
- accruals to the bonus fund in accordance with legal regulations,<sup>2</sup>
- financing of contributions to voluntary insurance,
- accruals to the currency fund in accordance with legal regulations,<sup>3</sup>
- scheduled redemption of basic assets credits in accordance with part III,
- accruals to the investment fund in accordance with part III, and
- financing of other measures as set down in legal regulations.

(b) Combines -- Use of Net Revenue from the Enterprises

- Net revenue obligation to the state, at least at the rates set down by the state plan parameters,
- accruals to the enterprises
  - for the investment funds to finance measures exceeding the enterprises' planned reproduction capacity,
  - for recovering possible temporary losses and strengthening funds, and
  - of means to finance other measures according to legal regulations,
- accruals to funds of the combine and for further use
  - for bonus funds of the combines with their own management,
  - for the scheduled redemption of the combine's basic assets credits in accordance with part III,
  - for the investment fund according to part III,
  - for the reserve fund according to part V figure 2,
  - for the discretionary fund according to part VI figure 1, and
  - for further measures in accordance with legal regulations.

For effects of scheduled industrial price changes on net revenue and net revenue distribution, applicable legal regulations must be resorted to.

4. Enterprises have to plan net revenue in excess over state tasks (price basis 1) for the following purposes:

(a) The revenue goes to the state after accruals as to letters b and c are deducted from the excess revenue--but at a minimum at a rate of 50 percent of the excess net revenue.



(b) Accruals, according to legal regulations to the  
--bonus fund,  
--performance fund,<sup>4</sup>  
--young socialists account,<sup>5</sup>  
and use for special purposes as set down in legal regulations.

(c) Enterprises not governed by the legal regulations on the performance fund may in the use of net revenue plan 10 percent of the excess net revenue for measures in socialist rationalization and for improving working and living conditions. Prerequisite to it is obtaining at least one of the qualitative state plan parameters, as determined by the competent minister or the manager of the next-higher state organ that would orient the enterprise collectives to solving important economic tasks.

These means are to be invested in accordance with the legal regulations on the use of the performance fund. Prior to being used, these means are to be deposited on account 417--clearing account for the net revenue left to the enterprises. Account 417 deposits can be carried over to the following year.

5. Combines have to plan net revenue in excess over state tasks (price basis 1) for the following purposes:

- (a) Accruals to the reserve fund in accordance with part V figure 2 within pre-established limits, and
- (b) accruals to the bonus fund and the young socialists' account in combines with independent management.

Prerequisite to it is that the excess net revenue from the enterprises is, at a rate of at least 50 percent, planned by the combine as net revenue payments to the state.

## II -- Use of Net Revenue

1. The net revenue of combines and enterprises derives from their integrated objective with the following accruals and deductions:

Accruals according to legal regulations

### Deductions

- Production fund deduction at the full rate in accordance with legal regulations,
- Stallage<sup>6</sup> dues and other remittance to the state budget in accordance with legal regulations,
- revenue not due to their own economic performance, as to figure 4,
- revenue from exceeding the manpower plan or unauthorized hiring of labor up to M 5,000 per individual. The revenue per individual is to be determined on the basis of the state plan quotas,<sup>7</sup> and
- use of the results of the foreign trade enterprise according to legal regulations.

2. When the state plan quota for net revenue is reached, the net revenue is to be used for the purposes as set down in Part I figure 3, up to amounts set down in the plan.

Excess net revenue is to be used in accordance with part I figures 4 and 5. If it results from returning allocations and other measures undercutting costs per M 100 in commodity production, it may be used in addition to the determinations in part I figure 4b to finance planned rationalization investments in lieu of intended scheduled credits and for the preredemption of basic assets credits. Remittance obligation of at least 50 percent of the excess net revenue to the state remains in force.

Planned net revenue not used for the planned purposes has to be remitted to the state budget.

3.

(a) When the state plan quota for net revenue is not fulfilled, the enterprises have to remit the net revenue to the state at the full cash plan rates.

Any remaining net revenue is to be used in the order set down in part I figure 3 letter a. Scheduled accruals to own funds from revenue are to be reduced at the rate of the diminished revenue, and if accruals were already made, they have to be cancelled, maximally to the total still remaining.

(b) If net revenue is smaller than the amount of net revenue obligated to the state, all the net revenue produced has to be remitted to the state budget. When there remains a difference from the net revenue remittance according to plan, enterprises have to use their own funds, as to Annex 3, as long as their own plan tasks are financially ensured. The bank has to be instructed on which of their own funds have been used for it. Even when own funds are used, wage and bonus payments to the working people have to be ensured.

(c) If net revenue and special bank accounts do not suffice for the enterprises to remit to the combine, so that the combine can meet its obligations to the state in remitting its own revenue, the combine funds have to be used and centralized means in the combine.

(d) When the state plan quota for net revenue is not fulfilled, the combines and enterprises may, in line with legal regulations, apply to the bank for extra credits for the anticipated and economically necessary accruals to enterprise funds, scheduled to come out of revenue. When on behalf of meeting the obligation to remit net revenue to the state investment funds were used, combines and enterprises may apply to the bank for credits, which must be redeemed within 90 days, to pay for deliveries under contract and performance investments.

Temporary payment difficulties caused by reduced accruals to own funds must not be bridged over by using other financial means of the combines and enterprises.

(e) When in the case of diminished revenue  
--credits are not or no longer granted to bridge over payment difficulties,  
--accruals to own funds were smaller than planned or funds were depleted to meet the planned net revenue remittance, or  
--the planned net revenue remittance was impossible,  
rulings go into effect in accordance with Article 20 of the 28 January 1982 decree on further improving economic accounting based on the plan (GBL Part I, No 3 p 85).

4. Revenue not coming out of one's own economic achievements must be remitted separately to the central budget whenever found to be used for the integrated objectives. That includes

- (a) revenue from infringements of price regulations, especially through overcharging, unless such revenue counts as surplus revenue. Revenue from correcting wrong prices for ancillary products also has to be remitted;
- (b) revenue from infringing assortments according to plan<sup>8</sup> by overfulfilling more profitable products at the expense of products or performances under quota or contract;
- (c) revenue from commodity production or products that are sub-standard or below the quality provisions in terms of planned state quality criteria--revenue reductions as to Annex 1--;
- (d) revenue from infringing rating provisions, from excess cost planning departing from state contingents, balancing ratios, standards, norms and limits, from centrally established planning and accounting methods, from rules on resorting to financial means--such as product-related price support--and from other legal regulations;
- (e) revenue produced in previous years but shown only during the planning year because of a wrong chronological alignment between costs and revenue;
- (f) revenue from the application of legal regulations that came into force or were rescinded after the assignment of state plan quotas;
- (g) revenue caused by that the enterprise plan, in depending on the state plan quota, was not based on the prices and performances subject to industrial price revisions; and
- (h) revenue not considered a result of performance of their own, due to special legal regulations, and thus to be remitted to the central budget.

Revenue not a result of performance of their own, as to letters a to e, may in principle not be counterbalanced against losses caused the same way. Losses and profits from a wrong chronological alignment between costs and revenues may be counterbalanced only if for reasons the enterprise or combine could not help, it was impossible to ascertain and account for costs in the year they were generated.

If for reasons under letters f and g revenue is reduced, the net revenue remittance to the state may be reduced by that amount, unless legal regulations provide otherwise.

The reduction in the net revenue remittance has to be confirmed by the general director and main bookkeeper in the combine and kept revisional.

### III -- Financing of Investments--Redemption of Basic Assets Credits

#### 1. Planning of the investment fund

1.1 To ensure an effective basic assets reproduction, combines and enterprises have to plan under their investment fund as financial requirement, related to projects or measures, the financial means only for planned investments<sup>9</sup>--in conformity with the investment preparation plan and the state plan parameters under "investments (material volume)," and  
--on the basis of their integration with material stocks and confirmed nomenclatures.

That also implies one may resort to reserves set up for performances not ascertainable in advance, in accordance with legal regulations.<sup>10</sup>

Financial requirements furthermore embrace the financing of the assumption or purchase of subject-related basic assets, devices, tools, instructions and testing devices paid out of research funds and of testing installations and experimental structures, in accordance with legal regulations.

The investment expense set down in the decision of principle must not be exceeded. Planning financial means for investments outside the plan is forbidden.

The investment preparation plan, the nomenclature listings (including a cover page listing all investments) and the "planning of financial means for investments"<sup>11</sup> must be submitted to the competent bank in draft and after decision-making.

1.2 Financial investment requirements as of figure 1.1 are to be held to the requisite plan level

- for paying for accountable performances for preparing the decision of principle in accordance with the preparation plan,
- for paying for accountable investment performances in implementing the planned and legally prepared investments including other payments to be made, in conformity with legal regulations, as part of the investment expenditures set down in the decision of principle,
- for discount payments falling due, according to legal regulations, and
- for taking part in planned and joint investments and special investments of other combines and enterprises as ratified by the ministers or bezirk councils.

Above and beyond that, no finance requirement may be planned.

1.3 To meet planned finance requirements, in conformity with the "planning of financial means for investments," the following financial sources are to be employed and channeled into the investment fund:

- Amortizations,
- means of the performance fund or of account 417--in accordance with legal regulations--,
- revenue from the sale of basic assets and from pulling down and scrapping basic assets in connection with investments and other revenue, residual book values from the sale or conversion of basic assets and the settlement of investment expenditures in accordance with legal regulations<sup>12</sup> (henceforth referred to as sales revenue and other means),
- insurance payments for basic assets provided they were made mandatory for the plan-year,
- means for the revenue and amortization dispersion by the combine,
- interest-bearing basic assets credits based on the state plan parameter, "credit volume changes due to interest-bearing basic assets credits,"
- means of the "young socialists account,"
- accruals from other combines or enterprises because of the partnership in planned and joint investments and special investments ratified by the ministers or bezirk councils, and
- net revenue (after all previously listed finance source were first used on a priority basis).

Appropriations to the investment fund above the planned finance requirement level are not authorized.

## 2. Use of the investment fund

2.1 The means of the investment fund are to be deposited, earmarked for their purpose on a special bank account, "investment funds," with the competent bank. All payments for purposes mentioned under figure 1.2 must come out of that bank account exclusively. Payments for other purposes or from other finance sources are inadmissible.

2.2 The means of the investment fund may be used only for their particular purpose and exclusively in preparing the decision of principle in accordance with the preparation plan and for implementing the investments contained in the ratified nomenclature listing. Financial investment means not resorted to in line with the nomenclature listing may not be used

- to finance investment not contained in the nomenclature listing or
- to reduce the credit share of other investments on the nomenclature listing.

2.3 Combines and enterprises are not allowed to use to planned means of the investment fund for

- investments for which there is no decision of principle according to legal regulations,
- transfer to other combines, enterprises or local state organs, unless these are planned partnership means for planned and joint investments and special investments, ratified by the ministers or bezirk councils, in other combines and enterprises,
- expenses exceeding investment expenditures authorized by the decision of principle, and
- credit redemptions. Excluded from that is the use of means saved in one's own planned investment fund insofar as they result from the reduction of investment expenditures thanks to more efficient investment activity.

## 3. Use of means of the investment fund not used up by the end of the year.

Means not used and remaining in the investment fund by the end of the year may be used up to 31 January of the following year for paying for accountable investment performances under the plan completed up to the end of the year.

Excess means beyond that must be remitted to the central budget.

## 4. Redemption of interest-bearing basic assets credits

4.1 For the scheduled redemption of interest-bearing basic assets credits are to be used at their scheduled amounts:

- (a) amortizations,
- (b) revenue from the sale of basic assets and the pulling down and scrapping of basic assets in connection with investments, other revenues in accordance with legal regulations, settlement of investment expenditures in accordance with legal regulations and insurance payments for basic assets,
- (c) means of the performance fund or of account 417, and
- (d) net revenue after the means under letters a to c were used up.

4.2 Ahead-of-schedule redemption of interest-bearing basic assets credits may be financed out of

- saved resources in the planned investment through lowering the investment expenditures thanks to more effective investment activity,
- amortizations coming back in excess of the plan and means exceeding the plan as of figure 4.1 letter b,
- write-off of production fund dues according to legal regulations,<sup>13</sup> and
- resources of the performance fund or of account 417 and net revenue produced above the plan as of part II figure 2.

4.3 The resources as of figures 4.1 and 4.2 are to be kept in an industrial collective account for the redemption of basic assets credits. Resources on that account not used are to be remitted to the central budget by the end of the year.

## 5. Amortization

5.1 The combines and enterprises have the planned amortization resources for the planned formation of the investment fund and the planned redemption of interest-bearing basic assets credits.

Unless enterprise amortizations are used with it, they must be remitted to the account, "amortization redistribution," and planned by the combine accordingly. The general directors of the combines may, above and beyond that, set down higher amounts in the plan as long as the planned formation of the investment fund and the redemption of the enterprises' basic assets credits are ensured by using other authorized financial sources.

5.2 Combines have to plan for remitting amortizations to the central budget when they are not used for the planned formation of their investment fund, the planned redemption of the basic assets credits, and the planned redistribution to the investment funds of the enterprises.

5.3 Enterprise amortization must monthly, and at the planned rate

- be put into the investment fund,
- be put on the combine's "redistribution of amortization" account,
- and used for the scheduled redemption of interest-bearing basic assets credits.

5.4 Amortizations falling due above and beyond the plan must at once be transferred to the combine's "redistribution of amortization" account or to the competent local council, if ahead-of-schedule redemption of interest-bearing basic assets credits is impossible. They may not be put into the investment fund. The general director of the combine has the right to allocate, above the plan, amortizations to the "redistribution of amortization" account of enterprises that do not reach through their own amortization the volume planned for forming an investment fund or redeeming on schedule their interest-bearing basic assets credits.

The planned level of amortizations in these enterprises may not be exceeded.

5.5 Amortizations placed in the combine's "redistribution of amortization" account that are not used up to the end of the year have to be transferred to the central budget.

7. Resources of the performance fund or of account 417

7.1 Resources of the performance fund that are to be planned through the investment fund for the planned investments of socialist rationalization, in accordance with legal regulations, are to be allocated to the investment fund at the planned size by the start of the plan-year. Resources of account 417 are to be allocated when they come up.

7.2 Resources of the performance fund or of account 417 which are planned through the investment fund, in accordance with legal regulations, for planned investments to improve the working people's working and living conditions must be put into the investment fund when the financial need arises.

8. Financial resources from redistribution, from credit and from the "young socialists account"

8.1 Financial resources from revenue or amortization redistribution, from interest-bearing basic assets credits and from interest-free credits have to be deposited in the investment fund when the financial need arises.

8.2 Resources of the "young socialists account" have to be deposited in the investment fund when they come up.

9. Resources for participating in planned, joint investments, and investments ratified by the ministers or bezirk councils, of other combines and enterprises

9.1 Resources planned for such purposes are to be transferred from combine or enterprise investment funds to the chief consignor of the joint investments not until he has proven that the financial need has arisen.

9.2 Participation in planned joint investments and the stipulations made for it as to figures 1.2, 1.3, 2.3 and 9.1 also apply to subsequent investments according to legal regulations.<sup>14</sup>

10 Control and release of planned financial resources for investments

10.1 The competent bank, the finance department of the local council, the Internal Revenue Service and its supervisory organ must check the investment financing of the combines and enterprises between 1 April and 30 June each year and make a state decision on releasing the planned resources of the investment fund in accordance with the economic requirement for the conformity between material and financial planning.

It has to ensure that

- financial resources are used only on the basis of the plan and in conformity with the decisions of principle and the ratified nomenclature listings,
- an improvement of the cost/benefit ratio, a reduction in the production time frames, a lowering of investment expenditure and a cutback in jobs are achieved,
- all measures are purposefully supported that aim at an ahead-of-schedule and concentrated completion of production investments, and
- investments outside the plan are prevented and investments are not allowed to become more expensive.

10.2 To that end, proceeding from the state plan quotas, "investments (material volume," and in conformity with the nomenclature listings and the allowable investment expenditures set down in the decision of principle, and through integrating the investments within the balance sheets through appropriate balancing decisions, the combines and enterprises have to present to the organs referred to under figure 10.1 evidence on

- material safeguarding through contracts concluded on investment deliveries and performances for the duration of the plan,
- the conclusion of investment preparation, and
- the financial requirement that actually exists within the scope of the decision of principle through investments properly prepared, materially secured, and contained in ratified nomenclature listings, broken down according to accountable investment expenditures and instalments for the various investment projects and measures.

10.3 Through the competent bank, the finance department of the local council or the Internal Revenue Service, in cooperation with the competent combines and on the basis of the evidence presented, the actual financial requirement is to be determined and put on record with the general director of the combine or the director of the enterprise.

Up to the limit of that amount, the competent banking or finance organ, while taking account of payments already made, releases the account to fund the special bank account, "investment funds," for the plan-year.

Account has to be taken of the reductions ascertained for investment expenditures as confirmed by the decision of principle through price checks by the Price Office and investment checks by other organs.

10.4 The record as to figure 10.3 is to set down up to which level and in what deadlines investment fund resources of their own that are not needed must be transferred into a "special state budget fund." Combines and enterprises have to transfer these reductions from the investment fund to the bank account in conformity with Annex 2. In credit-financing projects, credits have to be curtailed proportionately. The bank that handles this has to keep an eye on the settlements obligations being abided by as set down on the record.

To the "special state budget fund" also have to be transferred the resources released from converting provisional into definite prices, in accordance with legal regulations.<sup>15</sup>

10.5 If the combines and enterprises manage in the time of the verification of investment financing, as to figure 10.1, an ahead-of-schedule completion of production through concentrated investment implementation, or catch up on backlogs, while the material safety of the planned investments remains assured, the release of the resources needed for that has to come from the bank's "special state budget fund."

The return of resources, in the amount released, has to be charged against the bank account of the combine or enterprise, as to Annex 2, and credited to the special "investment fund" bank account.



If through concentrated plan implementation, investments reach their operational effectiveness ahead of schedule and financial resources according to plan are not yet available for them, credits on preferential terms may be applied for from the bank, in accordance with legal regulations.

10.6 The organs charged with the verification of investment financing, as to figure 10.1, must provide investment consignors to whom up to 30 June of any given year the planned investment resources have not yet been released with further resources in fulfilment of the investment plan and verify matters once again in the second half of the year.

If up to that point in time either the conclusion or the fulfilment of the contract has not been ensured, all resources needed up to the end of the year have to be ascertained and deposited in the "special state budget fund." Claims to get such resources back require a provable catch-up with such backlogs.

#### 11. Intra-enterprise order, financial and banking controls

11.1 The general directors of combines and the directors of enterprises have to set down in enterprise regulations that assignments and orders for deliveries and performances for investments are possible only within the scope of the decision of principle and investments will only be paid for if they are in conformity with the ratified nomenclature listings.

11.2 The main bookkeepers, in their capacity of state comptrollers, have to make sure that legal regulations on pay arrangements for the state-owned economy are strictly observed and resolutely enforced and that payment assignments for investments stay within the limits of the released resources.

11.3 The bank in charge has to keep an eye on the legal regulations being observed about the project and measure related planning and utilization of financial resources for investments and obtaining useable benefits, as it exercises its operational activity within the enterprises.

#### IV -- Centralization and Redistribution of the Net Revenue by the Combine

1. By means of the plan, the general directors of combines have to determine how much in net resources the enterprises have to pass on so that their obligations to the state are met and the reproduction process remains assured according to plan.

2. In the planning and utilization of the net revenue subject to centralization, the shares of other revenue contributed by research and rationalization facilities and the revenue of commodity production under financial planning and other accomplishments must be included.

3. The resources to be centralized in accordance with figures 1 and 2 are to be handled through the clearing account, "centralized net revenue," and deposited on the special bank account, "centralized net revenue."

4. The utilization of the centralized net revenue has to be purpose-related exclusively and be carried out up to its full level according to plan in terms of the planned purposes as of part I figure 3 letter b. To the extent that the planned subsidies in case of losses were not resorted to because the losses remained below plan, those resources must be included in the combine's computation of net revenue remittance to the state. If by the end of the year there still is net revenue on the clearing account as of figure 3, not invested in the purposes as to plan, it must be transferred to the central budget.

#### V -- Reserve Funds of the Combines

1. The planning, forming and using of reserve funds by combines to which combine enterprises belong are authorized in full by the next-higher organ. Additional resources for the combines' reserve funds are authorized under the preconditions set down under figure 2. The limit has to be established in concurrence with the minister of finance.

2. Combine reserve funds are to be formed as follows:

- (a) at 50 percent of the limit from planned net revenue, and
- (b) up to the limit in full from surpassed and overfulfilled net revenue and from resources carried over from the previous year.

Additional resources, above the established limit, may be put into the combines' reserve funds, provided that in the enterprises of the combine

- in the year before, targeted measures for improving the materials economy and speeding up the turnover of planned inventories were not funded sufficiently and
- the acceleration rate for the turnover of the previous year was taken for the basis of the plan-year.

Resources of the currency fund released thereby or net revenue earmarked for the financing, according to plan, of the growth in own resources not needed for the planned purpose, can further be added, by a decision from the general director, at a rate of up to 50 percent, to the reserve fund. Above and beyond that limit, there can be additions coming from sanctions, in accordance with legal regulations, via balancing arrangements.

The resources of the reserve fund have to be kept in a special bank account.

3. The reserve fund is to be used for financing

- higher expenditures resulting from an accelerated introduction of scientific-technical data into production, from additional research accomplishments and from short-range production conversion due to new requirements of the scientific-technical progress and of the foreign markets,
- higher costs, on behalf of the economy, for the storage of raw materials, spare parts and export products,
- technically and economically justified risks,
- economic effects from changes in the production assortments to improve the satisfaction of demands from the population and the economy,
- minimum appropriations for the bonus funds of the enterprises in accordance with legal regulations, if the net revenue produced in the enterprises does not satisfy them,

- the redemption of credits for the repayment of which the general director of the combine has assumed the guarantee,
- remitting the net revenue to the state to the extent that the centralized net revenue in the combine does not suffice, and
- other payments in accordance with legal regulations.

The reserve fund also is to be used at the end of the year to redeem credits granted particular enterprises when revenue was below par.

4. No credits are to be made from reserve fund resources and no allocations to combine and enterprise funds to bridge over payment difficulties when revenue is below par.

Reserve funds must not be used to pay bonuses, buy consumer goods and finance any events.

5. Reserve fund resources not used up during the plan-year may, as to figure 2 letter b, be carried over to 50 percent of the limit for the next year, to the reserve funds of the next year. Any surplus must be transferred to the central budget.

#### VI -- Discretionary Fund for the General Director of the Combine

1. The planning, forming and using of discretionary funds from centralized net revenue are permitted to combines to which combine enterprises belong up to the full limit allocated by the next-higher organ. The resources of the discretionary fund are to be kept in a special bank account.
2. The resources of the discretionary fund are to be used primarily for inducing targeted measures to intensify production and improve reproduction process effectiveness. That concerns extraordinary efforts by the working people in surpassing and overfulfilling the plans toward solving scientific-technical tasks, a short-term realization of rationalization projects, cost, material and energy savings, increased consumer goods production, increased export turnover and export lucrativeness, more ancillary supplies for export and consumer goods, improved quality and performance, and the solution of other important economic tasks.

State distinctions and merit payments, according to legal regulations, may also be made from the resources of the discretionary fund.

The payment of bonuses to socialist working teams, collectives and individuals from resources of the discretionary fund has to come in the form of target bonuses, performance bonuses or on the basis of agreements through mission-related bonuses. Payment of bonuses to persons who do not belong to the combine is permitted only with the agreement from the director of the state organ, the state institution, the combine or the enterprise to which that person belongs. Payments must go via those organs, combines or enterprises. Payments from the discretionary fund to such persons must not exceed 20 percent of the limit of the discretionary fund. Performance-related bonuses from the discretionary fund may be paid to associates of combine management only if they are members of such socialist working teams that are primarily made up of associates of state-owned enterprises, engineering bureaus, institutes and other facilities.

3. Resources of the discretionary fund may not be used for bonus payments to the general directors of the combines and the directors of enterprises, the purchase of consumer goods and the expenses for holding events--unless settled otherwise--and for conducting representations.

4. The general director of the combine has the obligation to confer with the competent trade union management about the utilization of the discretionary fund as directed by the plan and account to it for the actual use made of those resources.

5. Discretionary fund resources not resorted to by the end of the year can be carried over to the next year up to the limit allowable as to figure 1.

#### VII -- Centralization of Financial Resources in Combines

1. With the agreement from the industrial ministers, the minister of finance and the minister for foreign trade, the yield from export may be centralized in selected combines.

2. Parts of the export inducing resources may be centralized in the combine to increase the combine's influence on boosting the combine's export.

3. Resources in the risk funds formed in accordance with legal regulations<sup>16</sup> and financial resources for centralized promotion measures may be centralized in the combine to boost exports.

4. The centralization of financial resources in the combine can be arranged according to plan if the measures to be financed thereby serve the intensification of the combine's reproduction process and the development of the working and living conditions of the working people in the combine.

These are:

- (a) Resources for scientific-technical tasks, according to legal regulations,
- (b) net revenue and amortizations for planned investments (as to part I figure 3 letter b and part III figure 5.1) within the scope of measures for expanded reproduction and socialist rationalization,
- (c) resources of the combine enterprises' cultural and social welfare funds for institutions of culture and social welfare that may be used by all combine enterprises (e.g. vacation homes, vacation camps for children); using such funds for investments is prohibited, and
- (d) resources of the performance fund or of account 417 for purposes as to letters b and c.

The centralization of the resources of the culture and social welfare funds and of the performance fund is subject to agreement from the enterprise trade union managements and the directors of the enterprises. The arrangements made have to be included in the enterprise collective contract.

#### VIII -- Revenue to the State, Adding to Own Funds and Depositing Purpose-Related Financial Resources in Bank Accounts

##### 1. Revenue to the State

1.1 Combines and enterprises must include the net revenue passed on to the state, on the basis of the breakdown set down by the Council of Ministers, in the state

plan quota, per quarter according to months, in their cash-flow account.<sup>17</sup> It must be made sure that the annual planning rates in toto agree with the state planning quota, "net revenue passed on to the state."

1.2 Combines have to pass on to the central budget, up to the eighth calendar day and up to the next-but-last calendar day of a current month, equal planning rates of net revenue, in amounts as set down by the cash-flow plan set down for any given month.

1.3 Amounts of net revenue from an overfulfillment of the state plan quota for net revenue are to be passed on monthly by the combines, in accordance with part II figure 2, with the second instalment of the following month, reflecting the actual amount of excess; repayments are to be arranged through clearing.

1.4 It is the general director of the combine who determines when the enterprises have to pass on their net revenue excess.

## 2. Passing on Amortizations

To the extent that the combines and the enterprises directly under the ministries have to pass on amortizations according to plan, such amounts have to be passed on to the central budget monthly up to the 18th calendar day on the basis of the cash-flow plan.

In dealing with his enterprises, the general director sets down the schedule for receiving their amortizations under his own authority.

## 3. Special Payments to the State Budget

Enterprises make special payments to the state budget, in accordance with Annex 4, to a combine account called "special payments to the state budget." The combines must deposit such resources, at schedules referred to in Annex 4, on the account "special payments to the state budget" under the competent ministry.

In contradistinction to the enterprises, the combines determine the schedules and bank accounts for such payments under their own responsibility.

## 4. Combines and Enterprises of the Locally Managed State-Owned Economy (Except Enterprises According to Part X)

Combines and enterprises of the locally managed state-owned economy make their payments to the local budget. Special payments, as of Annex 4 figure 1 letters a through d, are made to the central budget. The finance department manager of the local council in concurrence with the chief of the next-higher organ, sets down the schedules separately for the payments to the local budget.

## 5. Enterprises Which Plan and Settle at a Smaller Scope

For enterprises that plan and settle at a smaller scope the competent ministers, in concurrence with the minister of finance, have to set down a smaller number of due-dates for payments and longer time frames for settlements for their passing on their net revenue to the state.

#### 6. Additions to Own Funds and Placing Purpose-Related Financial Resources in Bank Accounts

The combines and enterprises add to their own funds from revenue and costs, in relation to their having met planned performance and efficiency targets, in equal monthly rates. Additions to the currency fund have to be made by one-third each in the months of the first quarter in the plan-year.

The purpose-related resources are deposited on the bank accounts in those amounts at schedules set down in Annex 5.

#### IX -- The Planning and Financing of Managerial and Administrative Costs in Combines

1. Combines plan costs for tasks incurred by the management and administration of the combine (combine management) by use of cost standards. This must not exceed the state plan quota "managerial and administrative costs."
2. Cost allocation for combine management and administration goes according to legal regulations issued on the subject.<sup>18</sup>
3. For financing the combine's managerial and administrative costs, as to figure 2, the revenue of the combine management is to be fully used, according to plan.

Planned costs not covered by the combine management's own revenue are to be financed through assessing the enterprises (henceforth referred to as cost assessment).

In combine management via a parent enterprise, managerial and administrative costs may be financed, by a decision of the general director, through a cost assessment for the enterprises or the planned costs of the parent enterprise.

The amount of the cost assessment has to be determined annually by the competent ministers or the chairmen of the bezirk councils, according to plan.

Resources from their own revenue and cost assessments not used up by 31 December in any given year become part of the domestic combine yield.

4. For determining how much the enterprises are to be assessed, the general directors of combines have to set down appropriate assessment standards, such as commodity output at enterprise rates, commodity turnover, size of work force and so forth, for a period of several years.

The assessment has to be distributed to the enterprises with the plan at absolute rates.

Enterprises have to plan the cost assessment as prime cost. It has to be shown separately in accounting and statistics. The assessment is to be calculated in accordance with legal regulations.<sup>19</sup> Enterprises, institutes and other facilities are not authorized to pay associates who handle managerial and administrative tasks of the combines or the ministries out of their own wage funds. That does not hold true for associates of the parent enterprise who assume tasks in the combine's management and administration. The enterprises have to pass on to the combine their assessments, as planned, in monthly instalments. The general directors of the combines set down the due-dates and amounts of monthly instalments of the cost assessment.

X -- Special Provisions for the Combines and Enterprises in Industry and the Local Supply Economy Under the Local Councils

1. The economic bezirk councils may apply part III figure 5.1 only when dealing with enterprises that do not belong to combines.
2. In the local supply economy, the combines and the enterprises not directly responsible to local councils but not being parts of combines have to plan the passing on to the local budgets those amortizations that are not used to forming investment funds as to plan, for redeeming their basic assets credits as to plan, and for the redistribution within the combine as to plan, in which this provision deviates from part III figure 5.2.
3. Economic bezirk councils have to pass on their net revenue to the state budget, which deviates from part VIII figure 1.2, in monthly planning rates up to 10 days after the due-dates for the combine enterprises. Net revenue yields from an overfulfilment of the state plan quota for net revenue, in deviation from part VIII figure 1.3, are to be passed on by the economic bezirk councils to the central budget on a quarterly basis at the rate of the quarter ending of the following month, or repayment is to be computed accordingly.

The economic council under the municipal council of Berlin, capital of the GDR, passes on the net revenue to the municipal council of Berlin, capital of the GDR.

4. The economic councils of the bezirks set down the deadlines for payments to be made as of figure 3, with respect to the combines and enterprises under the bezirk councils, and the combines do so with respect to their enterprises. Due-dates for payments from enterprises are to be scheduled in the terms in effect for 1981.

Combine directors may simplify the deadlines for payments to the state, for their enterprises, and in concurrence with the economic bezirk councils, if it does not increase the planned additions to the currency fund above planned amounts.

5. Combines and the enterprises of the local supply economy under the local councils pass on their net revenue to the state on the basis of planned monthly instalments to the local council. For due-dates, the provisions of part VIII figure 4 are in effect.

Combines and the enterprises of the local supply economy under the local councils have to arrange for their special payments to the local budget in accordance with Annex 4 figure 1 letters e through j, which deviates from part VIII figure 3.

XI -- Proving Expenditures for Procuring Industrial Goods for Public Demands

Combines and enterprises, regardless of financial sources used, must list all expenditures for industrial goods for public demands, as to Annex 6, on a separate account--broken down in terms of users' purposes--and in terms of value per item. Separate legal regulations govern the authorization for the purchase of industrial goods for public demands.<sup>20</sup>

## XII -- Transitional Provisions

1. The 1982 plan implementation has to arrange for the contractual redemption of credits planned for play-year 1982 for an out-of-plan production of own resources from net revenue and for adding investment funds from resources of the performance fund or account 417 and other financial resources.
2. The settlement of financial relations between the combines and enterprises and the state budget and the settlement of financial funds for all of 1982 are to be made for the first time on 31 March 1982 on the basis of this order.

### Annex 1 to the Financing Guideline

Imposts of Revenue deductions for Commodity Production or Products That Are Sub-standard or Below the Quality Specifications in Accordance With the Specifications from the Standardization, Measurement and Commodity Testing Office (Part II, Figure 4, Letter c)

1. The Standardization, Measurement and Commodity Testing Office imposes revenue deductions for commodity production or products below planned qualitative specifications or state standards and other quality provisions if
  - (a) quality seals assigned to products in current production are disallowed,
  - (b) technically obsolete products are not replaced according to plan,
  - (c) products are manufactured that do not correspond to state standards,
  - (d) planned use properties are not ensured,
  - (e) the planned volume fails to be reached for the commodity production in the various quality classes (including attestation clauses), quality levels and types per product and assortment, and
  - (f) in justified cases, for economically significant major emphasis tasks there are not obtained--the quality and efficiency targets for products development planned under the science and technology plan, or  
--the established objectives and schedules for the elaboration, introduction and revision of state standards.

The determination of revenue reductions calls for correlation with the competent pricing organ if for the same reasons price discounts are already being used for commodities.

2. The basis for determining revenue deductions is the revenue planned for any given products in accordance with output, or else --in cases as to figure 1 letter d--the branch-specific computation basis set down by the Standardization, Measurement and Commodity Testing Office.

In cases as to figure 1 letter e, as revenue deduction is assessed the planned revenue of commodity production brought out below par qualitatively or produced, due to the non-fulfilment of the relevant tasks in the science and technology plan, in accordance with outdated standards or without standards altogether.



3. The rate of revenue deduction may go up to 100 percent of the planned revenue for a product for which such a deduction comes into force. The revenue deductions may altogether not exceed 10 percent of the planned net revenue in an enterprise.
4. Assessing revenue deductions does not alter the industrial prices in effect.
5. Revenue deductions are to be shown in accounting and statistics and shown separately in reports.

#### Annex 2 to the Financing Guideline

Withdrawals From and Deposits to the "Investment Fund" Bank Account (as to part III, figures 10.4 and 10.5)

##### 1. Figure 10.4

Combines and enterprises must make the withdrawals from the investment fund and deposit on the bank account number 6836-2-...06 of the next-higher centralized state organ.

Account designation: Ministry for . . .

--Withdrawals for the separate fund of the state budget--

Constant part of coded reason for payment

Code 556.

Departing from that rule, bezirk-managed industrial combines and enterprises withdraw from the investment fund and deposit onto the budget account maintained by the economic bezirk council at the State Bank branch office.

Account number ...-2-167112

Account designation: Economic bezirk council

--Withdrawals for the separate fund of the state budget--

Constant part of coded reason for payment

Code 556.

##### 2. Figure 10.5

Combines and enterprises deposit onto the investment fund by charging the account number 6836-2-...16 of the bank account maintained by the competent central state organ.

Account designation: Ministry for . . .

--Withdrawal from separate state budget fund -- to the account of separate bank account "investment fund."

Combine/enterprise constant part of coded reason for payment, Code 556.

Departing from that rule, bezirk-managed industrial combines and enterprises deposit onto the investment fund while debiting the account number . . .-2-167132 of the budget account maintained by the economic bezirk council.

Account designation: Economic bezirk council

--Withdrawal from separate state budget fund--crediting the separate bank account "investment fund"

Combine/enterprise constant part of coded reason for payment, code 556.

### Annex 3 to Financing Guideline

#### Authorized Financial Funds from Net Revenue or Charged Against Costs

<u>Type of financial funds</u>	<u>Combines</u>	<u>Enterprises</u>
Financial funds according to financing guideline		
1. Investment funds	x	x
2. Reserve funds		x
3. Discretionary funds		x
Financial funds in accordance with other legal regulations		
4. Science and technology funds	x	x
5. Performance funds	x	x <sup>21</sup>
--Order (No 1) of 15 May 1975 on the planning, formation and use of performance funds in state-owned enterprises (GBL Part I, No 23 p 416) in the version of order No 2 of 19 July 1978 (GBL Part I, No 22 p 249)		
6. Bonus funds	x	x
Decree of 12 January 1972 on the planning, formation and use of bonus funds and of cultural and social-welfare funds in state-owned enterprises (GBL Part II, No 5 p 49) in the version of the second decree of 21 May 1973 (GBL Part I, No 30 p 293)		
7. Cultural and social welfare funds	x	x <sup>21</sup>
--legal regulation cf. figure 6--		
8. "Young socialists account"	x	x
--Joint resolution by the GDR Council of Ministers and the FDJ Central Council of 21 March 1974 on the formation and use of the "young socialists account" in state-owned enterprises, combines, state organs and state institutions (GBL Part I, No 20 p 191)		
9. Maintenance funds	x	x
10. Promotional funds		x
11. Risk funds (according to branch-specific legal regulations)	x	x
12. Order of 24 April 1978 on the formation and use of separate funds to finance appropriations for the further development of the production of fashionable products in the light industry (separate GESETZBLATT issue No 996, p 7)	x	

### Annex 4 to Financing Guideline

#### Special Payments to the State Budget

##### 1. Special payments to the state budget are:

- (a) Revenue not produced through economic efforts of one's own (part II figure 4-- except letter g--),
- (b) revenue produced through plan implementation by that operational plans, based on the state plan quota, are not based on the prices for individual products and performances decided on by industrial price alterations (part II figure 4),
- (c) revenue from exceeding the manpower plan or by unauthorized hiring of labor (part II figure 1),
- (d) investment fund resources not used up by the end of the year (part III figure 3),

- (e) centralized net revenue not used up by the end of a year (part IV figure 4),
- (f) payments from the enterprise collective account for redeeming basic assets credits (part III figure 4.3),
- (g) payments from the "redistribution of amortizations" account (part III figure 5.5),
- (h) payments of above-plan sales revenue for basic assets and other resources (part III figures 6.2 and 6.3),
- (i) payments of net revenue not used for planned purposes (part II figure 2), and
- (j) other payments to the state budget in accordance with legal regulations.

Special payments as to figure 1 are to be made by the combines for:

- (a) Revenue not produced through economic efforts of their own, up to the 18th calendar day of the month following its ascertainment,
- (b) revenue from exceeding the manpower plan or by unauthorized hiring of labor, as to part II figure 1, up to 28 February of the subsequent year,
- (c) payments of above-plan sales revenue for basic assets and other resources, as of part III figures 6.2 and 6.3, up to the 18th of the subsequent month, and
- (d) payments of resources not used up by the end of the year in the investment fund, the collective account for redeeming basic assets credits, the "redistribution of amortizations" account, the "centralized net revenue" clearing account, up to 28 February of the subsequent year.

#### Annex 5 to the Financing Guideline

#### Depositing Purpose-related Financial Resources on Bank Accounts (part VIII figure 6)

1. The transfer of purpose-related financial resources from the enterprise operations account to the bank accounts of the enterprises has to take place at appropriate amounts, as set down in a mandatory manner by legal regulations, at following due-dates:

- (a) for funds charged again prime costs, up to the 15th calendar day of the current month
  - cultural and social welfare funds,
  - science and technology funds,
  - maintenance funds,
  - promotional funds,
  - risk funds,
  - cultural, social welfare and bonus funds in the enterprise facilities for the vocational training of apprentices, and
  - the amortizations to be put into the investment funds;
- (b) for funds formed out of net revenue or depending on the size of the net revenue, up to the 18th calendar day of the subsequent month
  - resources from combine revenue distribution,
  - performance funds,
  - bonus funds,
  - the parts of net revenue that go into the investment funds,
  - reserve funds,
  - young socialists account, and
  - discretionary funds.

2. Due-dates referred to under figure 1 are to be used as mandatory for ascertaining the credit/debit status within the framework of the currency plan.

## Annex 6 to the Financing Guideline

Industrial goods of public demand according to part XI of the financing guideline

Sound equipment  
Television sets  
Lighting fixtures  
Photographic, cinematic and optical items  
Watches  
Furniture and upholstered goods  
Sport and camping items  
Refrigerators and freezers  
Washing machines  
Electrical household gadgets  
Glas and china  
Silverware  
Macrame  
Interior textiles  
Carpets, rugs  
Arts and crafts items  
Bed linen and table linen  
Pocket calculators  
Small and portable typewriters  
Wall-paper  
Musical instruments  
Bicycles and automobiles including spare parts

### FOOTNOTES

1. Order for the Planning of the GDR Economy, 1981-1985--Planning Order--Appendix to the Order of 28 November 1979 (special GESETZBLATT issue No 1020 a) in the version of the Order of 30 April 1981 supplementing the Order for the Planning of the GDR Economy, 1981-1985 (GBL Part I, No 14 p 149) and Order No 2 of 29 January 1982 (GBL Part I, No 5 p 109).
2. In force at this time is the 12 January 1972 Decree on the Planning, Formation and Utilization of the Bonus Fund and the Culture and Social-Welfare Fund for State-Owned Enterprises (GBL Part II, Bo 5 p 49) in the version of the second decree of 21 May 1973 (GBL Part I, No 39 p 293).
3. In force at this time is the 21 May 1979 Order on the Planning of Financing Currency--Currency Order--(GBL Part I, No 16 p 124).
4. In force at this time is the 15 May 1975 Order on the Planning, Formation and Utilization of the Performance Funds of the State-Owned Enterprises (GBL Part I, No 23 p 416) in the version of the order no 2 of 19 July 1978 (GBL Part I, No 22 p 249).

5. Joint Resolution by the GDR Council of Ministers and the FDJ Central Council, of 21 March 1974 on Forming and Using the "Young Socialists Account" in State-Owned Enterprises, Combines, State Organs and State Institutions (GBL Part I, No 20 p 191).
6. 27 October 1981 Instruction to Stimulate the Acceleration of German Railroad Freightcar Dispatch (TARIF- UND VERKEHRS-ANZEIGER, No 39).
7. Computed [in terms of the following formula]: Planned integrated objectives [numerator] over Planned number of workers and employees (fully employed) at annual average (without apprentices) [denominator].
8. The ministers have issued branch-specific regulations on that.
9. That also includes the acquisition of basic assets with a normal working life of over one year and a gross value of at least M 1,000.
10. In force at this time is the 13 July 1978 Decree on Preparing Investments (GBL Part I, No 23 p 251) in the version of the second decree, of 12 December 1979 (GBL Part I, 1980, No 1 p 15) and the third decree of 30 October 1981 (GBL Part I, No 32 p 375).
11. Skeleton guideline of 30 November 1979 (special GESETZBLATT issue no 1021), forms 435 and 436.
12. In force at this time are the 20 June 1975 Order on Accounting and Statistics in the Enterprises and Combines (special GESETZBLATT issue no 800); the 10 November 1971 regulations for the financing of investments and the treatment of cost overruns and starting costs (GBL Part II, No 78 p 690); and the 10 November 1971 order on separating basic assets, the use of special write-off and the setting up and using repair funds (GBL Part II, No 78 p 694) in the version of order no 2 of 23 June 1975 (GBL Part I, no 30 p 574).
13. In force at this time is the 10 November 1971 order on separating basic assets, the use of special write-off and the setting up and using repair funds (GBL Part II, No 78 p 694) in the version of order no 2 of 23 June 1975 (GBL Part I, no 30 p 574).
14. In force at this time is the 13 July 1978 Decree on Planning, Preparing and Placing Follow-up Investments (GBL Part I, no 23 p 257).
15. In force at this time is the 13 July 1978 Decree on Preparing Investments (GBL Part I, no 23 p 251) in the version of the third decree of 30 October 1981 (GBL Part I, no 32 p 375).
16. In force at this time are the 10 March 1971 order on forming and using risk funds (GBL Part II, no 32 p 265) and order no Pr. 283 of 1 November 1978 on price setting to promote the production of special machinery, special devices and special tools (GBL Part I, no 41 p 447).
17. In force at this time is the 2 August 1979 order on cash-on-hand planning (GBL Part I, no 28 p 249).

18. In force at this time is the 11 May 1978 order on putting into effect and issuing the guideline to ascertain managerial and administrative costs (GBL Part I, no 16 p 185).
19. In force at this time is the 10 June 1976 : central state computation guideline for setting industrial prices (GBL Part I, no 24 p 321) in the version of order no 2 of 23 August 1979 (GBL Part I, no 30 p 336).
20. In force at this time is the 1 November 1971 order on procuring industrial goods on public demand and resorting to the performance of public service agencies (GBL Part II, no 77 p 678).
21. Centralization of resources in the combine is possible.

5885

CSO: 2300/276

## HUNGARY

### BANK REPORTS ON FIRST QUARTER CREDIT, MONEY CIRCULATION

Budapest FIGYELO in Hungarian No 19, 12 May 82, p 6

[Bulletin from the Hungarian National Bank: "Credit and Money Circulation in the First Quarter"; passages enclosed in slantlines in italics in original]

[Text] The economical and financial accomplishments of the year 1981 are reflected in the economy of the current year. But after the appropriate allocation of funds from last year's profits, the maintenance of liquidity was a continual source of problems for the companies and cooperatives--especially after February. The disadvantageous changes in market conditions, marketing difficulties (lack of orders, protraction of contract agreement negotiations) and the slow influx of outstanding accounts were contributing factors.

At the beginning of January the balance of accounts receivable of the economic organizations still exceeded that of the previous year by 5 percent. However, the situation later deteriorated. The reasons for this were /late payments/ for purchased goods, compulsory deposits on various special-purpose accounts and the necessity for greater investment potency.

#### Working Capital Loans

Between the months of January and March, 12 percent more /applications/ for working capital loans were submitted to the bank by companies and cooperatives than during the same period of the previous year. A significant amount of the /approved/ 122 billion forints represents new credit; of this, a total of 8 billion is for renewals of previous contracts. The number of /denied/ requests is identical to that of last year, but proportionately less.

Of the newly approved working capital loans, the industrial sectors (together with the food processing industry) received 55 billion forints, 13 billion was allocated to the building industry, 22 billion forints to the state-owned and cooperative agriculture, 22 billion to circulation and 1 billion forints to other sectors.

Of the approved amounts in the first quarter of the year, a significant portion (98 percent) comprises /short term loans/ of which 63 percent financed frozen assets (supplies, accounts payable), 25 percent compensated for temporarily

lacking resources and 12 percent served to overcome financial complications. The proportions of distribution did not change considerably as compared to last year.

Unfinished production, an increasing number of outstanding accounts and regulation changes served to intensify the /freeze on liquid assets/. Seasonal production investments, primarily in the agriculture and building industries, created greater credit demands. On the other hand, in the export-oriented sectors of industry, the receipt of sales returns was often slowed by circumstances hindering deliveries, delays, market expansion and longer transportation distances. Due to /lack of resources/, the credit needs of industrial sectors were greater than last year and fundamentally provided interim compensation for the generation of profits in 1982.

The /lending period/ of short term loan contracts approved between the months of January and March was somewhat lengthened; an average of 5.7 months changed to 5.9 months. The predominant portion of the provided working capital loans /was utilized/ by the companies and cooperatives during the first quarter.

The majority of the matured loans were repaid in time by the economic organizations. At the end of March, the total amount of all working capital loans increased in the first quarter and was 10.5 percent greater than 1 year earlier. Within this amount, the /short term loans/ between January 1 and March 31 increased by 4 billion forints as compared to last year; on the other hand, the reduction of revolving credit, export and company credit and special credit totaled 3 billion forints less than last year.

#### Invdstments

In the interest of cutting back on accumulation of funds and because of more stringent credit conditions, the bank in 1982 further limited the selection of applications for investment loans.

The total amount of /applications/ for investment loans by /state enterprises and farms/ in the first quarter was 9 percent less than last year and about half was meant to be utilized in 1982. The credit applications were divided nearly evenly (one-third) among industry, food production and the other sectors.

On the basis of applications not yet reviewed at the end of 1981 and those received in the first quarter, the bank /authorized/ 1.6 billion forints in loans in the above-mentioned categories (as compared to 2.2 billion in the first quarter of last year), almost half of which was allocated toward the realization of preferred developments. (Among these, investments for improvement of credit balance are predominant.)

The /average maturity/ of the investment loans authorized during the January-March period is 79 months, and, due to earlier repayments by the industrial and food processing sectors, this period is /shorter than that of last year/. Shorter than average repayment periods were promised by the building industry,



agriculture and the non-manufacturing sectors. The economic organizations provided an average of 24 percent of their investments from their /own resources/ (as compared to 17 percent 1 year earlier). In the agricultural sector, the average is even higher--30 percent.

From investments made through the utilization of authorized loans, the state enterprises and farms expect an average of 23 forints profit for every /100 forints invested capital/ (as compared to 16 forints in the same period last year); in every sector, this is larger than the minimum stipulated as a condition for loan authorization.

In the interest of increased enforcement of credit competition, the amount of investment credit applications awaiting review at the end of March was greater than last year.

The bank received a total of 1.5 billion investment credit applications from /cooperatives/ in the first quarter (four-fifths of these were submitted by agricultural farming cooperatives); however, the authorized loans amounted to 0.6 billion forints. Most of the requests were for investment credit relating to export development.

At the end of the period, the /amount of investment loans/ totaled 3.4 percent more than in the identical period of the previous year.

#### Income and Purchases of the Population

In the first quarter the /cash income/ of the population from the socialist sector increased more moderately than last year, but this year, taking the outflow of purchasing power through foreign exchange in consideration, its growth reaches 6 percent (as compared to 6.2 percent 1 year earlier). Due to the combined effects of greater amounts of merchandise and price increases, /purchasing/ expenditures increased at a rate surpassing incomes. The /amount of money in circulation/ decreased in contrast to an increase last year and /savings account deposits/ increased slightly more than last year.

/Wages/ paid in cash, not counting wages of cooperative employees, increased by 4.3 percent.

/Other personal income/ sufficiently reflected expectations and was nearly equal in amount to that of last year.

Among the incomes from agricultural sources, the /earnings of cooperative members/ increased by 5.8 percent and the /wages of cooperative employees/ by 20.8 percent. (Amounts paid as dividends from profit-sharing funds surpassed those of the same period in the previous year by 14 percent.)

From the /marketing of agricultural produce/ (collection), the population received less cash income than last year; however, if the foreign exchange rate is taken into consideration, it remained on the same level as last year.

/Cash social benefits/ increased by 8 percent compared to last year. As background, increases in the number of retired persons by 46,000 and in the average pension by 200 forints are noteworthy.

# SOCIALIST ENTREPRENEURSHIP MUST BE FURTHER DEVELOPED

Budapest MAGYAR NEMZET in Hungarian 4 May 82 p 9

[Article by Dr Zoltan Zoltan: "On the Path to Entrepreneur Development"]

[Text] An increasingly greater social interest is being shown nowadays in the different entrepreneurial forms. Retail stores and restaurants are coming under business operation by contract; and business work partnerships and small co-ops are being formed. We can say that fortunately the entrepreneur spirit of our society has grown. And it is really time! In the current world economic situation, when our economy is being challenged again and again by the world market, we cannot delay giving up our comfortable economic stance and appearing on the field of active market competition.

Without wishing to be a wet blanket, however, I feel I must unconditionally point out that these small company forms will hardly "redeem" the Hungarian economy. They can bring a certain effervescence and competition in the sphere of retail trade and services, but they will not be able to raise the entrepreneur spirit of the economy as a whole to the desired level. For this to happen, the already existing enterprises will have to become, in fact, socialist economic entrepreneurs. But the institutional condition-system of our economy is still rather far from achieving this even though there are and have been efforts and hypotheses at making advances, but in an atmosphere of social disinterest these have died out one after the other.

In shedding light on the problem area, we must start out by analyzing etymological questions. Namely, that our word "enterprise" (vallalat) suggests the normal recognition that it can be only an entrepreneurship. On the other hand, we have always regarded the enterprise as being a socio-economic organization of many kinds, but not as an entrepreneurship. Our word "entrepreneurship" fell victim to our earlier "great house cleaning" as well as the similar words of "market" and "profit": We swept these concepts, too, from the dictionary of socialist economics as "capitalist economic categories." Our rejection of the concepts of market and profit has softened a great deal since 1968--and it has been included in the economic reform concept--but we hardly spoke of entrepreneurship until the recent past.

Our rejectionist attitude toward entrepreneurship can be ascribed to the fact that we have not as yet succeeded in theoretically clarifying the dual

right of disposal over social capital--namely, that part of social property invested in economic activity. On one hand proprietary and on the other entrepreneurial functions are linked to this right. It is already well known from capitalist practice that the person of the proprietor and the entrepreneur do not always coincide. Many proprietors, including for example stock owners, do not in the nature of the matter appear in their own person as the entrepreneur but entrust this function to appropriately equipped people, economic managers who understand better the tasks of entrepreneurship. The ownership body exercises appropriate control over their activities, and they confirm only those managers in their assignment who give proof of the results of their economic activity by attaining high profits.

It is all the more justifiable in a socialist country to clarify the question of the right of disposal over social capital. This is so because here the owner is the state, that is a legal person who, even if he wanted to, could not himself attend to entrepreneurial functions. The entrepreneurs must in fact be there on the market, in the thick of economic life in order that they might react immediately to every market vibration. The arrangement and distribution of proprietor and entrepreneur functions between the state and the enterprise can have an important effect on many related areas, and indeed must have. That is, an effect primarily on the nature of the management, on the means of the regulatory system, on the extent of risk undertaking, on the differentiation of personal incomes--because of all which the question cannot be avoided. As a consequence of the lack of clarity in this basic question, we sought without success to make progress in certain questions for in the end we always crashed into the wall of a social lack of comprehension. Such, for example, was the case in 1969 when immediately after the first year we had to pull back with the categorization for regulating the differentiated profit sharing of managers. Because no one explained to people that the managers--as the economic entrepreneurs--have a much greater role in the formation of above-average profits than subordinate workers. And no one explained the extent to which this can be expressed in higher basic payments to the managers. A similar, general problem was the differentiation in income among workers on the same job and with the same skill, and the same amount of experience. People did not understand, and many still do not understand, why certain job categories can have different base pay at various enterprises depending on the prosperity of the enterprise where one works. This happened because no one explained to them that certain work outlays yield more profits where current, modern products that can be sold on all markets are manufactured than where they manufacture obsolete items that are difficult to sell and require a state subsidy. This led by the mid-1970's to a public sentiment which was finally embodied in the publication of the National Trade Wage Schedule (which did not meet the hopes that were pinned on it and was invalidated). Thus we deprived the economy of an effective signal system: the income differences indicate for the individual workers to what extent their work outlay is embodied in economic and market-worthy products. If the wage and income level is low at some enterprises this indicates, should indicate, to the workers that they are not investing their work strength in the best place for production. If they want to earn more, they should transfer to an enterprise where higher wages can be paid on the basis

of their participation in the manufacture of products with greater profitability. Or they need to reprofile their own enterprise--make it better, more efficient, and flexible.

A certain lack of comprehension has been evoked in our society down to this day by that measure of the 1968 economic reform establishing "managerial control authorities," chiefly with the participation of specialists and high level managers. But along with these--or in place of these--they did not establish "workers control committees." And still if the working collective must accept to a significant degree the odium of inadequate or bad economic decisions, it should receive a greater role in the social control and supervision of these decisions.

The basic question is: How should we conceive of the socialist enterprise as an entrepreneurship? In such a way, that the socialist state, as a legal person, would share in part with the enterprise collectives proprietary rights over social capital on the basis of delegation of authority. It could charge these collectives--or certain social forums of these collectives, for example, the control committees--with the exercise more or less of proprietary functions. These would refer chiefly to the protecting and increasing of social property, the fulfillment of material obligation undertakings charged to the property, confirmation of the naming of managers, and approval of the strategic problems of entrepreneurship. (To such an extent, that group interests would not confront national economic interests.) They would have to prepare concepts and programs including alternatives for the more profitable use means available to leaders of the entrepreneurship but under social property ownership. This would be over the short, medium and long term. Whatever the collective approved would form the basic concept of plan preparation.

The entrepreneurial-managerial class should also be given greater freedom of mobility in choosing the production profile. In our era, the future belongs to economic diversification, and enterprises with a one-sided profile are readily vulnerable. In all questions affecting the collective as a whole, steps can be taken only on basis of positions, in principle, taken by the control committee.

A managerial assignment should, or may, be given--preferably by way of competition--only to those who can prove with results their professional grounding, their entrepreneurial and managerial ability, and their political reliability. If a manager does not meet these requirements or does not realize the entrepreneurial concept in the approved manner, the control committee may initiate his recall at the highest authority.

The state can make withdrawals from the enterprises through economic regulators on the basis of two functions: on one hand in a normative manner, as owner, pursuant to the fixed and working capital made available to the enterprises; and on the other hand as the guarantor of social justice by taxing outstandingly high levels of enterprise and personal incomes or implementing sociopolitical points of view. In enterprise and personal income regulation we should unconditionally put an end to the base outlook which has prevailed thus far because this is exactly what restrains the entrepreneur spirit or

the efforts at attaining higher incomes. Entrepreneurs--as well as collectives and individuals--can be stimulated to react to the active market and to innovation only if the accompanying additional efforts are rewarded in the form of incomes above the average. Thus what the enterprise would attain as profit, after payment of the normative means-utilization fee, would be the entrepreneurial profit of the collective. (Whatever is withdrawn from this could be only for income regulation purposes, and no further withdrawal could be made on basis of the ownership principle.)

This does not mean, of course, that the current wage-system nomenclatures would lose their importance. A similar, continuously maintained trend-nomenclature would remain in effect. The workers' income could be basically from two sources: an adequately defined, normative wage and a share deriving from the profit of the entrepreneurship. The share from the entrepreneurial profit would be much more differentiated than the basic wage--depending on the extent an above-average achievement was presented, and to what extent this contributed to the formation of the profit.

In summary, it must be emphasized that socialist entrepreneurship, in the true sense of the word, can be one that is conducted with collective and adequate social control. To this end, we need to increase further the decision-making independence of the managers, their economic freedom of mobility, but also to intensify local social control. Only in this way can we conduct this desirable process in a socialist channel according to principle.

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CSO: 2500/238

GUIDELINES FOR IMPLEMENTING SMALL BUSINESS REFORM IN INDUSTRY

Budapest IPARI KOZLONY in Hungarian 15 Apr 82 pp 381-383

Text Guidelines

[Ministry of Industry Decree No 265/1982 for the creation of new modern organizational forms to increase productivity

I. The role and place of small business organizational forms in industry.

The Ministry of Industry seeks to promote internal development and connections between enterprises, according to the nature of their product structure and within the dimensions of the market, so that individual and collective entrepreneurship will receive support in an organizational respect as well. This can be accomplished through the adoption of new forms of small business production and subsidiary activity, thus broadening the set of organizational forms in business.

The tasks resulting from the establishment of economic goals must be accomplished through the systematic modernization of large industrial management. However, the maximal exploitation of the possibilities for small business use of socialist economic conditions is also essential. Our viewpoint is that small business forms are organizations which adapt to socialist production conditions for the benefit of the general economy and our goals. The small business forms do not represent the rivals of large industry, but rather are designed primarily to meet the need where large industrial systems cannot, or do so inadequately.

Thus, the small enterprises can effectively fill small-volume needs or occasional supply and demand shortcomings, can expand capacities for parts and intermediates, and can play a large role in eliminating shortages. In addition, by reducing the pressure on large industries, small enterprises can aid them in concentrating on their task of structural reform.

The ingenuity and entrepreneurship of the individuals, groups, and institutions (enterprises, cooperatives, local councils, etc.) which founded a given

organization play the primary role in the employment of small business forms. However, we find it necessary that the Ministry of Industry establish a set of theoretical-practical guidelines in the most important production and service areas for the development of small industrial activity. In these guidelines, we do not discuss in a legal sense that the small business legislation has already achieved widespread recognition through the available trade literature and mass-communication systems.

The following guidelines combine the most important tasks.

## II. Recommendations for the areas in which small business organizational forms can be instituted.

It is important that industries make the creation and institution of small business forms a systemic part of the modernization of their management and internal direction system. It is expedient that they should survey and systemically follow activity groups and organizations which, taking into account market, technical, economic and administrative concerns, justify the utilization and operation of small business forms even in the long run.

The variety of industrial activity and the applicable small business forms does not permit the clarification of which activity or group is reasonable for the creation and institution of which small business forms. On the basis of our preliminary observations, however, certain activity groups seem to tie to the institution of a few organizational solutions. We recommend that these be noted when activity is surveyed.

As examples of recommendations, we offer the following possibilities:

1. Small concerns dealing in repair, maintenance, service, and support industry, with no more than 15 employees, could operate on a contractual basis, since their activity is presently often unprofitable at large enterprises. This form is especially advantageous for organizations with many locations that are difficult to survey from an administrative point of view. At clearly unprofitable branches, it is expedient to examine the possibility of leasing.
2. The new cost allowance system is applicable over a wide range of services, for example at isolated branch offices in maintenance activity (heating, janitorial, maintenance services etc.)
3. The business work partnership and its enterprise forms offer many possibilities (it is expected that this will be the most widely utilized small business form.) Of these, it is useful to emphasize the innovative process within the enterprise (in promoting suggestions and utilizing inventions); recycling of scrap; capacity use of productive facilities; more economical manufacture of support industry products; the resolution of bottlenecks; preventive maintenance; substitution for imports, etc.
4. Subsidiary industries must be created primarily to reduce industrial cooperative tensions, to improve marketing or innovation, and to increase the independence of certain plants in the interests of modernization. At enterprises manufacturing consumer goods, small business forms should be created with intent to research the market and demand, as well as improve supply.

The subsidiary form is also useful where demand arises in many related and geographically close industries not necessarily at the same time. In this case, the better use of capacity will result. If the demand is small or occasional, a partnership could also be formed.

The industry decides which form the small organization will take: whether within the industry, outside it, or as the jointly administered organization of many industries.

The creation of small business forms should occur as a two-way process. The directorship of the industry should designate those activity groups or administrative bodies for which a small business form would be effective, and make known those groups. At the same time, the directorship should provide the possibility for similar initiative among the employees of the industry.

The Ministry of Industry desires to exercise its right to create small businesses. The Ministry will direct special attention to this organization form during the survey of individual industries, and where it deems the action justified, will create new organizations.

We expect that small businesses will be created primarily at independent, geographically isolated branches which are difficult to administer. It is necessary to judge in these cases, for administrative reasons, the value of keeping these small businesses in the framework of the large industry. Their present capacity for meeting local producer-consumer need must be examined, that is, whether they can continue to meet that need in the future.

The Ministry of Industry, on the basis of its privilege of ownership, will in the future examine the possibility of a small business form for regional machine repair services. In addition, the Ministry will examine the most reasonable form for creation of small businesses in specialized activities (tool maintenance and sharpening, for instance.)

III. The role of small business organizational forms in developing connections among enterprises, sub-branches and branches of industry

Besides providing a source for better supply, the small business forms can promote improvement of connections between enterprises and other economic bodies. Examination of the usefulness of small businesses in this respect is also recommended.

The large industries should examine the side industries of agricultural cooperatives for the possibilities of taking over certain lines of manufacture or product groups, or forming shared businesses. It is also expedient to strengthen these connections through long-term cooperative contracts, transfer of developmental resources, etc.

In addition to creation and utilization of small business forms, those possibilities which were established earlier for the promotion of cooperation must also be utilized. This is justified by the development of social division of labor also.



It is in agreement with our goals that businesses should coordinate their acquisitional, developmental, productive and marketing activity in, for instance, a partnership or a project, independently and in their individual and collective interest.

We recommend examination of the possibility of association for geographically close businesses or cooperatives for more economical management of maintenance services. Consolidation of financial and mental resources, and the use of appropriate organizational forms would benefit other supplementary services also, such as transportation.

Besides the traditional contractual relations, we suggest that enterprises seek possibilities for new cooperative forms with their branches and other sub-branches, in order to insure the collective interest.

#### IV. What needs to be done in the creation and application of small business forms

The Ministry of Industry supports the creation of all such new organizations which are required from an economic and administrative standpoint, which serve to fill a need, whose operation is free from formalities, and which do not serve monopolistic ends. Thus:

--The Ministry supports the creation of all such small business forms which make possible the more organized association of broadening, differentiating productive and consumer needs and previously unused economic forces.

--The Ministry also supports the creation of organizational forms which increase the development of connections among nations, branches, and enterprises, and the improvement of real productive and innovative connections.

The Ministry of Industry also wishes to provide more than moral support for the creation and utilization of small business forms, and those organizational forms which will develop the network of enterprise connections, through concrete provisions.

In this framework, the Ministry of Industry contributes to the creation, propagation, and effective operation of the new, modern organizational forms through the systematic publication of observations, the representation of related themes, the posting of contests within its financial means, the publication of financial support possibilities, and the development of concrete official opinion.

An internal committee for the completion of Ministerial tasks has been formed, headed by Dr Istvan Bartek, director of the Department of Organizational Development.

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CSO: 2500/243

## BRIEFS

AGRICULTURAL EQUIPMENT REPAIRS--The Ferroglobus Capital Goods Commercial Enterprise recently founded an undertaking for the purpose of organizing repair of machine parts in the entire country. This is commendable because uncoordinated repairs are uneconomical, and the renovated parts cost too much. Under the name of Ferroweld it has set up a coordinating office which collects and keeps records of the parameters of renovatable parts and helps establish repair facilities. It collects damaged parts systematically and distributes them so that the capacity of repair centers will be utilized to the maximum. At present, Ferroglobus has concluded repair contracts with four of the largest cooperatives including the Babolna Corn Production System. Organizers hope to meet national demand fully in a year or two. The Austrian firm, Interweld, participates by supplying the required machinery and material. The parts repaired through a special welding process are of very high quality and cheap despite involving capitalist imports. [Budapest MAGYAR MEZOGAZDASAG in Hungarian No 19, 12 May 82 p 10]

CSO: 2500/270

## CRITICAL POINTS OF POLISH FOREIGN TRADE DISCUSSED

## Weakened Position on Capitalist Markets

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 9-10

[Article by Marian Paszynski]

[Text] In 1977-1980 the total value of Polish exports increased by 8.4 percent annually, exports to the developed capitalist countries increasing at the rate of 11.9 percent [annually]; while the total of Polish exports in 1980 increased by only 3.4 percent, exports to the industrialized capitalist countries increased by as much as 14.4 percent. These trends in Polish exports appeared despite unfavorable economic situation in the West, even though decreased demand [for Polish goods] in these markets was to some extent counterbalanced by the favorable price structuring of many commodities exported by Poland.

However, this situation changed drastically in 1981. The value of Polish exports to the Western capitalist countries decreased sharply (by nearly one-fourth), and this decrease was much larger than the one in the total of Polish exports. This results from several causes.

First, Polish exports to the West are insufficiently diversified; they are concentrated in a relatively small group of commodities (fuels and energy, industrial metals, and food). In this group there was an exceptionally sharp drop in production, and the pressure of domestic demand considerably limited their surplus for export. Suffice it to say that nearly 9/10 of the decrease in exports to the developed capitalist countries in 1981 occurred in the group of fuels and energy, metallurgical products, and food and the raw materials for its production.

Second, although the main cause of the decrease in exports was the decrease in their volume, unfavorable price changes also occurred, particularly with regard to the prices of silver and, partly, of copper.

Third, the decrease in the volume of exports of hard coal to the capitalist countries was larger than in exports to the socialist countries. While the total of coal sold [abroad] decreased by 49 percent, the decrease in exports to the first payments area [socialist amounted to approximately 34 percent, but it was over 60 percent in exports to the second payments area [capitalist]. In comparison with 1979, coal exports to the socialist countries decreased by 51 percent, while those to the capitalist countries decreased by as much as 70 percent.

In connection with this, the share of the developed capitalist countries in Polish exports decreased further in 1981, to approximately 30 percent. The high degree of concentration of exports in those groups of commodities in which there was the largest decrease in the value of exports contributed to a drop in exports to some markets and caused a change in the direction structure of exports within the industrialized capitalist countries. A particularly sharp drop was noted in exports to Denmark (coal and petroleum products constituted 4/5 of exports), as well as to Norway,<sup>1</sup> Sweden, Switzerland, France, and Italy. Decreased exports to these countries (which in 1980 received over 1/3 of these exports) represent nearly 3/5 of the total decrease in exports to the industrialized capitalist countries in 1981 they received over 1/3 of these exports). It is also worth emphasizing that the sharp decrease in export occurred, to a large extent, in markets where Poland's export position was relatively stronger (Switzerland, Sweden, and Denmark). The interdependence between the intensiveness of the decrease in exports and the degree of their commodity concentration requires detailed studies. Nonetheless, at present we can assert that more diversified exports (e.g., exports to German Federal Republic and to Great Britain) are more resistant to sharp decreases.

The above changes resulted in a relative increase in the importance of non-European sales markets. On the other hand, within the European area there was a slight decrease in the importance of the European Common Market to the advantage of the remaining countries. In Polish exports to the industrialized capitalist countries the sharpest decrease was in the position of those countries in whose markets an above-average decrease in Polish exports occurred.

It will not be easy to restore the market positions which we lost in 1981.

First, this will depend on increasing the domestic supply of export commodities. Moreover, in view of the low level of integration of Poland's industry with the industries of the developed capitalist countries, an increase in export surplus would have to occur, first of all, in those groups of commodities in which there has been a drastic decrease in exports, i.e., fuels and energy, industrial metals, and food. With regard to the first group, it is difficult to anticipate a large-scale resumption of petroleum products and electric energy. The increase in the export supply of coal will depend on the size of its output and on the volume of the necessary sales of coal to the socialist countries, such sales being related to securing deliveries of raw materials, food, and supply materials from these countries and to repayment of debt obligations to some of them. Resumption of food exports, though theoretically possible, seems not very likely in the near future. Filling the gap created by a sharp decrease in exports of fuels, metals, and food with exports of processed products does not seem possible, mainly as a result of a decrease in supply imports, particularly as seen against the background of limitation of the availability of foreign credits.

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1 In the case of Norway, fluctuations of exports result mainly from the "bulkiness" of deliveries of products of electrical and machine industry (ships).

Second, the restoration of our market position will be adversely affected by the slow rate of the economic recovery of the capitalist countries. According to the most recent OECD, the growth rate of GNP (expressed in real terms) of all OECD countries in 1982 will be 1.25 percent, the same as in 1981 (in Europe, respectively, 0.5 and 1.5 percent). It is anticipated that this growth will accelerate only in the second half of 1982 and in the first half of 1983. This does not augur, similarly to the predicted improvement in the current turnover balances, a rapid rate of increase in the export demand of the Western countries. The differentiation in the situation of individual countries in the area of structuring current turnover balances will strengthen--in the opinion of OECD experts--protectionist tendencies in the capitalist world.

Third, competition in foreign markets will undoubtedly continue to increase. This results from the fairly lasting effects of filling by third-country supplies the gap in those commodities markets in which Poland had previously played a leading role. Here a typical example is the rapid expansion of loading and carrying facilities for U.S. coal, which considerably improves the already prominent competitive position of American coal in West European markets. This will be favored by the fact that those countries which hitherto depended to a considerable extent on deliveries from Poland will now tend to diversify their sources of supply in order to secure continuity and stability of deliveries, even though the cost of their import purchases may increase.

Fourth, the sharp decrease in Polish deliveries in some groups of commodities has disorganized and, in some cases of great dependency on trade in Poland, has even undermined, the principles of operation of an (agency) sales network as well as confidence in Polish suppliers. Discouragement increased by rigorous financial requirements (pre-financing, letters of credit, performance bonds, etc). All this will create difficulties in restoring the position of Polish exports in the markets of the industrialized capitalist countries.

Fifth and final, while estimating the chances of improving our market position, we cannot fail to mention the political factors and their direct or indirect influence on our exports. As regards direct influence, we may have to deal with government decisions of our trade partners which may hamper our access to their markets or which may make this access more difficult by, among other things, withdrawals from the existing license agreements. This applies especially to the U.S., but it does apply also to some European countries and--perhaps--to Japan. In addition, we should expect social actions which may create an unfavorable climate for imports from Poland. These actions may range from attempts to boycott [Polish] imports, or prevent unloading, to pressures to take restrictive measures based on the charge of disrupting the market.

Indirect actions concern, first of all, restriction on deliveries to Poland, particularly those deliveries which service export production--whether final or of co-production type. They are related mainly to the restriction on credit financing of exports to Poland, this restriction being based, above all, on politics. We should also anticipate attempts to limit exports [to Poland] of strategic raw materials as well as engineering and technology. The effect of indirect actions would be intensified if they were applied--as, for example, the President of the U.S. has announced--not only to Poland but also to the other socialist countries, since it would affect to some extent also exports from the socialist countries to Poland.

In the light of these considerations, we should recognize that restoring the market position of Polish exports in the industrialized capitalist countries will be very difficult.

### Exchange with Developing Countries

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 p 11

[Article by Boguslawa Barankiewicz]

[Text] In 1981, Polish exports to the developing countries amounted to approximately 5.2 billion foreign-exchange zlotys and showed an increase of 2.8 percent as compared with the previous year. The developing countries were the only group in which an increase in our exports occurred. As a result, their share in our total exports increased to 11.7 percent, from 9.7 percent in 1980. Difficulties in supplying export goods during past years had relatively little impact on trade with the developing countries, though the implementation of exports was over 1 billion foreign-exchange zlotys less than what was stated in the contracts. In turn, our imports from the developing countries amounted in 1981 to over 3.7 billion foreign-exchange zlotys, thus being 39.3 percent less than in 1980. Consequently, it was the greatest decrease in purchases among all the groups of our trade partners. As a result, the share of the developing countries in our total imports decreased to 7.0 percent, from 10.2 percent a year ago. This exceptionally large decrease is related to restricting imports of crude oil, whose value in comparison with the previous years decreased to 19.0 percent; moreover, the quantity of imported crude oil was 2.8 million tons less. Excluding crude oil from the value of imports, the decrease in imports from the developing countries was smaller and amounted to 12.6 percent. There was a similar decrease in the purchases of other commodities, with the exception of food industry products.

This structuring of trade resulted in a favorable balance of free foreign exchange which exceeded 1.4 billion foreign-exchange zlotys. After a 2-year period of deficits, the developing countries again became an area for obtaining surpluses, then being possible to use these surpluses to compensate for payment deficits in turnover with the capitalist countries. However, this was done at the cost of inadequately supplying our country with crude oil<sup>1</sup> as well as with other commodities, such as phosphate rock, cotton, or coffee.

In 1981 we aimed at reducing our purchases in the developing countries, with the exception of the most basic commodities needed for supplying our industry, agriculture, and [domestic] market. Simultaneously, we tried to import even necessary commodities mainly from countries with which we have clearing-type account settlements or from those which had granted us credit. Pressure to restrict imports in order to obtain payment surpluses endangers the supplying of industry, this being true even in the case of purchases in those countries in which we have had surpluses for several years in a row. An example is the lack, until the middle of December 1981, of a signed contractual agreement to purchase long-fiber cotton and yarn in Egypt. "Savings" of this type have two kinds of negative effects. The first is lack of high-quality production whose importance at present is not so much for supplying the domestic market as, above all, for exports. The second is a tendency of our trade partners to lower the trade volume.

<sup>2</sup> Purchases of this raw material in the quantity imported in 1980 and at an already higher price would result in a deficit of approximately 1 billion foreign-exchange zlotys.

Thus, for example, in Brazil we purchased, on credit terms, commodities which are extremely important for our economy and [domestic] market (imports from that country represented over one-half of all the purchases made by us in the developing countries). They were: soybean meal, iron and manganese ore, cocoa pulp, yarn and textiles, coffee cocoa, soybean oil, and other agricultural and food products. However, here also difficulties in repayment of outstanding credits have lessened the possibilities of obtaining new credits and, moreover, have prevented utilization of those already granted. This is bound to result in a decrease in purchases during the current year to one-half of last year's, which would have a tangible effect on agriculture and on market supply.

India, the second largest market as regards our purchases, also deserves to be mentioned. It would be possible to increase our imports of such key items as fodder and tea, were it not for difficulties with export supply. Admittedly, purchases are implemented through clearing-type account settlements, but every now and then the trade partner insists on changing the terms of payment to free foreign exchange. The lack of commodities which would be of interest the partner (mainly as a consequence of the impossibility of making imports to complete exported products) has a restrictive influence on import possibilities.

The volume of imports from the developing countries in 1982 and, consequently, the role of these imports in supplying our country, will depend chiefly on three factors. First, it will depend on the continuation of the policy of managing to obtain foreign-exchange surpluses. There is reason to fear that this line of action will continue to be implemented in spite of the many negative results of this policy and, particularly, its regressive influence on export possibilities. Second, it will depend on policy with regard to crude oil purchases. In the event of a prohibition to import crude oil from the second payments area (capitalist), the only possible purchase in the developing countries could be made in Libya, if that country would make our exports a condition for oil imports, but even then it would not be a large one.

Third, it will depend on the possibility of obtaining credits in the Third World countries. Such possibilities are limited, on account of the unfavorable economic situation of the majority of the countries of this region. The oil-producing countries, of course, are an exception; but these, for either economical or political reasons, are not interested in granting us credits.

Summing up, in 1982 we are threatened with a further decrease in imports from the developing countries. This decrease should be avoided, if at all possible, in view of its negative impact on Poland's economy and market and of our considerable potential capability of exporting to these countries.

## Raw Materials Problem

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 12, 17

[Article by Jacek Dembowski]

[Text] The problem of raw materials has two important aspects. The first aspect concerns payments, and the second is a general economic one. Appraising Poland's raw materials situation from the payment side, we must note that it is relatively favorable. This has been caused by the relatively small degree of dependence of our economy on crude oil, in comparison with other countries. As we know, crude oil prices have risen drastically since 1973, which, in countries dependent to a large extent on imports of this raw material, has resulted in economic difficulties with regard to equalization of trade and payments balances. Our country has not been affected by these problems. This results from the fact that in Poland only approximately 400 kg of crude is consumed per inhabitant (1981), while, for example, in France (where general energy consumption is lower than in Poland) this consumption amounted to 2700 kg per inhabitant in 1978. An additional "cushion" for the petroleum shock has been the fact that we purchase crude oil almost exclusively from the USSR, which gives us benefits accruing from the operative price system in CEMA. This system creates preferences for importers of commodities whose prices have been increasing more rapidly than their average prices. And this is precisely the case with crude oil.

However, Poland's raw materials situation is decidedly unfavorable from a general economic viewpoint. We are concerned here, and this should be strongly emphasized, not so much with this situation's influence on our country's balance of trade and payments as with the efficiency of management of raw materials. The actually implemented model of development of Polish economy was based on development of structures which consumed energy and raw materials. The high energy consumption of our economy has been generally known for a long time. It is estimated that in Poland energy consumption per 1 dollar of produced national income is two times higher than in the German Federal Republic and two-and-a-half times higher than in France. This high energy consumption is intensified, moreover, by the relatively high (but for objective reasons) cost of fuels and materials. Unfortunately, the operative price system (even the one after 1 January 1982) prevents a correct estimate of the real cost of these. The fact of the matter is that capital, which is the factor determining the cost of the acquisition of raw materials and their further processing into other materials, is not taken into account in our calculations. The high capital consumption during acquisition of raw materials and other materials, as well as the high energy consumption by these, constitute the basic factor in the decrease of management effectiveness and are an important cause of our present economic crisis.

However, no appropriate conclusions were drawn from these regularities, and in 1981 there appeared symptoms of further worsening of the situation in this sector. In 1980, consumption of contracted fuel decreased by 8.1 percent, accompanied by a parallel decrease of approximately 13 percent in national income and industrial production. We know that in our country the coefficient of the flexibility of energy consumption in relation to economic growth is



greater than one unit; this means that energy consumption increases more than proportionately as national income grows. Thus, with a decrease in national income and industrial production we should have expected a proportionately larger decrease in energy consumption, all the more so that the desired goal of improving management efficiency pointed up the need to drastically limit energy-consuming production processes. It happened otherwise, however. There was indeed a decrease in energy consumption but to a much smaller extent than in national income and industrial production, which signifies a relative increase in energy consumption by our economy. This insufficient decrease in energy consumption is a consequence of an insufficiently consistent policy of limiting energy consumption as well as of the so-called idle speed of our industry which, from a technical standpoint, does not utilize its optimum production capacity. Energy supplies, which should be distributed in a selective manner depending on differences in the productivity of individual plants, were allotted--as one could judge--according to the principle "to each one a little." The result has been a paradoxical situation in which, on one hand, energy shortages hamper production and, on the other hand, there is an oversupply of energy. Initially we estimate that the approximate level of energy consumption in 1981 corresponding to the level of economic activity [in our country] should be lower by the equivalent of 20 million tons of coal. Considering the problem in its most general aspects, our economy is characterized by a lack of adaptation of the structure of raw materials consumption to the economic conditions of production. Here we can cite many examples of development of energy-consuming industrial structures without the possibility of providing them with needed energy. For example, we adopted the most expensive and the most material- and energy-consuming (requiring large quantities of cement, structural steel, etc) model of apartment construction (prefab) which became the cause of limiting the program of apartment construction. We developed the raw materials base of iron metallurgy, but we neglected steel processing, as a result of which our industry became largely dependent on imports of highly processed types of steel. Through a price policy which was incorrect from an economic point of view, we distorted the consumption model. This applies, for example, to coal, whose low prices not only discouraged efficient management of its consumption but, on the contrary, also encouraged wastefulness in all the stages of management, from designing new technologies to actual mining and processing. This caused, among other things, abandonment of efforts to secure local fuels such as peat and wood, orienting nearly all the demand toward coal.

These are but a few examples which, however, together compose a picture of the utilization of raw materials and other materials in our country. On one hand, there are severe shortages of raw materials, other materials, and energy; on the other hand, there is carefree consumption of these. Under these circumstances, the raw materials and energy crisis of our country should be regarded as a phenomenon which is a consequence of our previous economic policy having been based on an abstract development model.

This situation has both a direct and an indirect impact on our foreign trade and particularly on the balance of that trade. The direct impact is the great demand for raw materials which are needed by our excessively "absorptive" production. The indirect impact is expressed, on one hand, in limiting our export possibilities (e.g. of coal) as a consequence of our excessive domestic consumption and the limitation of the production of processing industries on

account of energy shortage; on the other hand, it is expressed in the import demand for products which are "neglected" in our country, such as, for example, the highly processed metallurgy products which are indispensable in modern industrial production.

The lack of adaptation of materials requirements to the production capabilities of our economy (which, besides, occurs in many complex structures) indicates the directions of desirable structural changes. These changes must be made in the area of materials production and, above all, in our industry; but in each case they must be made from the standpoint of their impact on the situation in foreign trade, both in a near and a long-range perspective.

#### Agricultural Trade-Necessary Evil

Warsaw HANDEL ZAGRANICZNY in Polish No 1-2, 1982 pp 13-14

[Article by Henryka Bochniarz]

[Text] The pressure of the domestic market, where demand for food is being met to a limited extent, together with the enormous indebtedness of our country, contributed to in a large measure by imports of raw materials and agricultural products, may make the thesis about the need for pro-export development of our agriculture sound surrealistic. Opt slogans of Poland attaining self-sufficiency in food, with a simultaneous drastic reduction of imports, could lead to a wrong conclusion that the goal of our policy should be the attainment of economic anarchy in the area of the food complex. The formulation of such an opinion proves a lack of understanding of the role and conditions of operation of our trade in agricultural products.

As we know, in the postwar period exports of agricultural products represented a large part of our free foreign exchange revenues. In turn, in the 1970's there was an enormous increase in agricultural imports. However, neither the first nor the second tendency was a result of Poland's long-range trade policy. The transformation of a favorable balance of the turnover in foreign trade in Poland's agricultural products into a rapidly increasing deficit which in the years 1971-1980 reached a cumulative value of over 5.5 billion dollars, resulted not only from the worsening of the terms of trade in agricultural commerce and the decrease in the volume of exports of many agricultural commodities. The basic cause of the change in this ratio was the increase in imports of grains and fodder. This increase was caused mainly by the unbalancing of the proper ratios between the increase in crop production (by approximately 11 percent) and the increase in animal production (by approximately 39 percent).

Under the conditions of retail food prices being "frozen" at the 1967 level and an insufficient supply of non-food commodities, our population's rapidly increasing income in the years 1971-1980 was spent largely on food, mainly on meat and processed meat products. In this situation, the lagging development of the domestic fodder base forced our government to steadily increase credit imports of grains and fodder which maintained the level of animal breeding. In the years 1971-1980, nearly 50 percent of the increases in animal production were attained with the support of grains and fodder from imports.

Thus, agricultural exports in the past period simply meant sales of "relative" surpluses of food products under the conditions of insufficiently supplying domestic demand. On the other hand, imports were limited to indispensable raw materials and those items which either were not produced domestically in sufficient quantities or were not produced at all. The lack of a consistent, stable, and long-range agricultural policy did not create conditions for a steady and correspondingly vigorous production growth and, consequently, for the formation and implementation of a long-range trade policy which could be applied not only to eliminate "bottlenecks" but to raise the efficiency of food production.

The peculiar character of agricultural production consists in the fact that programming and implementing its development requires a long-range view. This accounts for the fact that precisely now, while formulating a program of development of agricultural production, we must point to the need for and the possibility of its pro-export character. Foreign trade can no longer be only a balancing factor but should actively influence the making of macro-economic decisions. In the long run, the best guarantee of the development of agricultural production, and, consequently, of exports of agricultural products, will be the creation and implementation of a stable and long-range agricultural policy through guaranteeing the proper status of agriculture, and particularly of private farming, in the development of our national economy. This signifies assuring the profitability of agricultural production, improvement of management efficiency, development of peasant self-government, and an active role of foreign trade in determining the volume and structure of the foreign trade turnover of our agricultural products.

Much has been accomplished already in the area of creation of a stable agricultural policy; however, many measures continue to be in the form of frequently ineffective pledges. A particular role in the activation of agricultural production should be played by agricultural price policy. What I mean here is both the purchasing prices (as well as their mutual ratios) and the prices of production means for agriculture. Indeed, the profitability of agricultural production--the income parity for agriculture--depends on the mutual ratios of these prices. Likewise, no executive orders will guarantee vigorous growth of production as well as sales of agricultural products and raw materials by those who produce them under the conditions of an increasing (despite formal pledges of "green light" for agriculture) shortage of production means for agriculture. An increase in the supply of means of production for the rural area can be attained only on the condition of profitability of production for the industries which produce these means. In the present system of price creation by manufacturers this could mean a lowering of the income parity and, moreover, the inevitability of a further increase in purchasing prices and, subsequently, even in the retail prices of food. Under these circumstances, the government should play a more active role through an appropriate, economically efficient system of price subsidies for prices means of production. Government subsidies for means of production in agriculture are widely used in the majority of West European countries. This type of subsidies should constitute a permanent element of our country's agricultural policy. On the other hand, the retail prices of food and a flexible--in the future--policy in this respect should maximally restrict subsidizing of consumption. In no case, a policy of rigid "frozen" food prices should be resorted to.

With an increasing and stable agricultural production, it will be possible and necessary to form a long-range policy of activating agricultural and food exports. Therefore, systemic solutions as proposed in the economic reform should take into account the specific character of agriculture. Consequently, a system of guaranteed export subsidies should be created in the form of appropriate supplemental payments at the foreign currency exchange rate, which would assure the profitability of agricultural trade. We should take into consideration the fact that agricultural production under Polish conditions (similarly to conditions in West Europe) is relatively "expensive" and that for this reason we would have difficulty in price competition with the agriculture of overseas countries. As has been proven by practice, exports from the EEC countries are predicated on a system of export subsidies: recently, supplemental payments have amounted there to 16 to 22 percent of the value of food exports.

A factor in the activation of exports can also be the granting of licenses for export operations, as well as the right to foreign-exchange deductions, to associations of small manufacturers. The element of competition among exporting enterprises should contribute to improving the quality of export production and increasing our export activity in foreign markets.

Independently of the effects of the economic reform, we ought to utilize to a greater extent the possibilities of trade exchange with the CEMA countries. The increasing dependence of these countries on imports of agricultural products and of food from the highly developed capitalist countries, with a simultaneous decrease in their mutual turnover in the area of agricultural products, arouses concern and ever-increasing doubts as to the correctness of hitherto implemented policies in all the CEMA countries. Independently of actions taken in individual countries and aimed at solving the food problem (which is attested to by documents of recently held party congresses), it is absolutely necessary to provide for better utilization of the mechanisms of the economic integration of the CEMA countries for the implementation of this objective. Many economists are of the opinion that the basic causes of difficulties in the development of integration of the CEMA countries are of a systemic character and result from the lack of possibility to objectively evaluate the economic effects of integration.

As a result, two-party agreements between exporters and importers predominate; there is a lack of progress in the implementation of already signed agreements; multi-party agreements are converted to two-party agreements; and there is a continuing tendency to balance trade exchange in commodity groups on an annual basis. Introduction of objectively operating principles of economic accounting and at least partial convertibility of currencies would favor expansion of the international division of labor in the field of agriculture and food industry of the CEMA countries, as well as optimum utilization of economic potentials and development of mutually complementary production structures. The problem of the necessity of introducing a new economic and financial system is essential, especially now, under the conditions of the economic difficulties of the CEMA countries. It does not seem possible for the CEMA countries, in their present financial situation, to commit sizable capital outlays (frequently in convertible currencies), in investments whose economic

effectiveness is difficult to ascertain. Consequently, it is absolutely necessary to prepare a realistic program of cooperation in the area of agriculture and food industry which will be based on an honest evaluation of the situation at present and in the near future.

The above comments on the need to develop mutual trade in agricultural products among the CEMA countries do not disparage the effectiveness of and prospects for foreign turnover of these products with the highly developed capitalist countries and with the developing countries. Imports of certain raw materials, and of agricultural products such as high-protein fodder or condiments, will depend on the possibility of purchasing these in the capitalist countries. The present restrictions of certain capitalist countries regarding exports of agricultural products to Poland particularly underscored the dependence of our production, consumption, and also exports, on imports (e.g. a drastic situation occurred in our poultry industry as a result of a U.S.-announced blockade of exports of high-protein feed). However, it should be pointed out that our payments situation is the main cause of our difficulties. Having appropriate cash payment possibilities available to us would completely eliminate our present difficulties in purchasing.

Summing up, then, agricultural policy and solutions in the field of export policy should assure the development of production and of export supply of many agricultural and food articles for which there exist favorable production and trade conditions. On the other hand, imports should represent a quantitative and structural complementation of domestic market supply. Poland, where conditions for the pro-export specialization of agriculture exist, can be-- following the example of Denmark or the Netherlands--a significant exporter of agricultural products, with a favorable trade balance because of this. Internationalism, and the resulting need for pro-export development of our economy, are an inevitable element in the present stage of development of our production capabilities. This constitutes an objective process from which there is no retreat, and the present economic difficulties cannot hide this truth.

9577

CSO: 2600/632

## INFLATION, BLACK MARKET PRICES OF ALCOHOLIC BEVERAGES REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 17, 16 May 82 p 7

[Article by Ch.M.: "Prohibinflation"]

[Text] In 1980 alcoholic beverages accounted for 12.2 percent of the population's expenditures on consumption of material goods and services (in constant prices since 1977). We achieved the disgraceful position of leader in the list of nations which were compared to each other in this field in our statistical publications. As is cited in the 1981 Yearbook (p. 123), in 1980 we drank per person 14.9 liters of pure and high-grade vodka of 40-proof alcohol. In 1981 that consumption was reduced dramatically (by nearly 30 percent), or to about 10.5 liters. The share of vodka in the population's expenditures, however, did not decrease. Admittedly, last year the market was supplied with 138 million liters, not 185 million liters of these goods (calculated as 100-proof in alcoholic content). However, the average price of 1 liter rose from 640 zlotys to 994 zlotys. The value of the vodkas supplied increased, therefore, from 118 billion zlotys to 137 zlotys. A similar situation appeared in the first quarter of 1982. Last year during that period the market was supplied with 45 million liters (100 proof), and this year with 29 million liters. Because of the increase in prices, however, the value of these supplies this year was about 20 percent higher than last year.

If such supplies were maintained to the end of the year, the consumption of spirits and vodkas from state sources would decrease by half in comparison with 1980. In the list of statistically comparable nations we would move from the top to some place behind Hungary (9.2 liters in 1978), the GDR (8 liters), the FRG (7.9 liters), the United States (7.6 liters), Sweden (7.3 liters) or to somewhere near France (5 liters) and other countries where wine rather than vodka is drunk, and that in quantities 10 times greater than in Poland.

Since we have mentioned wine, it is appropriate to point out that its consumption decreased in 1981 to 7.5 liters per person in comparison to 10.1 liters in 1980. In the first quarter of this year 19 percent less wine was supplied to the market than in the first quarter of last year. And the consumption of beer decreased from 30.4 liters in 1980 or 36.8 liters in 1975

to 28.6 liters per person in 1981. But in the consumption of both these beverages, especially wine, we were traditionally found near the end of the list of the nations compared in our statistical publications.

The reduction of consumption of alcoholic beverages in Poland is, therefore, a drastic step, in which observation of various side effects is unusually important. It is difficult to expect someone who drinks to give up his tendencies with ease. The black market in alcohol, which arose in our country as one of the first in the face of the growing vodka shortage in socialized trade, provides much evidence for that.

On the basis of over 500 observations nationally, it is estimated that in March of this year, half a liter of pure vodka cost on the average 1026 zlotys on the black market. At the same time in socialized trade that vodka was sold for an average of 384 zlotys. The speculative margin of profit on the sale of 1 half-liter reached 678 zlotys. Before prices were raised in the fourth quarter of last year, that margin of profit reached 531 zlotys. Immediately after the price increase the black market margin of profit on vodka decreased from 531 zlotys to 521 zlotys. There was a slight reaction--unfortunately, rather slight. After all, the price increase in socialized trade was high--almost double the former prices. It is true that ration cards for vodka were very limited at that time. In March of this year, however, they doubled compared to December of last year.

Similar observations can be made with regard to the black market in other alcoholic products and in wine and beer. In March of this year on the black market a half-liter of high-quality vodka cost 1159 zlotys an average of nationally, as opposed to 683 zlotys before, and 584 zlotys after, prices were raised.

Domestic fruit wine was sold illegally in March of this year for an average of 263 zlotys--thus 161 zlotys more than in socialized trade. Speculative resale of wine before the prices increases were yielded 141 zlotys per bottle. In March of this year beer sold illegally for an average of 50 zlotys for bottle which cost 20 zlotys in socialized sector. With beer, therefore, the black market margin or profit grew from 27 zlotys before prices were raised to 30 zlotys.

The continued speculation in alcoholic beverages can also be attested to by the spread in speculative prices of alcoholic beverages in various provinces, which is smaller in comparison to the fourth quarter of last year. In 47 provinces in March of this year one paid from 750 to 1250-1350 zlotys for a half-liter of pure vodka on the black market. In 37 provinces one paid from 800 to 1100 zlotys. High-quality vodka was sold predominantly at a price of from 1000 to 1300 zlotys, wine from 220 to 300 zlotys, and beer from 40 to 75 zlotys.

Obviously, the subject of alcohol gives rise to various controversies, especially when some families do not have enough food. But the last pennies are spent on vodka in the poorest families, too. Yet rationing alcohol as an immediate solution also meets with objection, since there are not many

similar goods whose equivalent coupon value corresponds to the reality of alcohol consumption or where forced equalization does not reduce but rather increases various grave pathologies. We are not deliberately focusing on the large speculative profits from the redistribution of alcohol which are amassed in large part by illegal means, although that money could aid our still almost empty state budget. Thus this is a problem which cannot be ignored by pointing to other important matters.

9451

CSO: 2600/641



PRIVATE-PLOT GARDEN AREA TO INCREASE BY 1985

Summary of Recent Resolutions

Bialystok GAZETA WSPOLCZESNA in Polish 29 Apr 82 p 3

[Text] Two Council of Ministers resolutions concerning allotted-plot gardens appeared in MONITOR POLSKI No [Number illegible, T.N.]

A resolution concerning the development of employee gardens provides for an increase in their area by more than 31,000 hectares by 1985. This assumption complies with a Sejm law dated May 1981. According to the document, the specification of lands designated for allotted-plot gardens should be a permanent element of plans of territorial development of the particular voivodships.

The resolution obliges the minister of finance to set aside suitable means each year supplement the employee allotted-plot garden developmental fund. The Minister of Agriculture and the Food Economy is obliged to consider, in annual balances, the need for such items as seeds, fertilizers, pesticides, machinery and equipment as set forth by the Polish Union of Allotted-Plot Holders [PZD]. The Minister of Culture and Art should insure the union assistance in publication activity. The government resolution likewise imposes a series of duties on representatives of the local authorities. The PZD is ordered to bring new lands into cultivation rapidly and to adapt them to garden production, as well as to undertake training activity.

A rider to the government resolution specifies the increase in acreage projected for allotted-plot gardens in the particular voivodships.

The other Council of Ministers resolution concerns the services to be provided by plants on behalf of allotted-plot gardens. According to the document, these services should be designated toward the construction and maintenance of basic equipment. This includes technological assistance, particularly in record keeping, the transfer of construction materials that are not needed at the plant, transport services, accessibility to machinery and construction equipment and the like. These services may be implemented free of charge or on condition of payment, but only on an at-cost to the plant basis.

Apart from payments made from the plant social fund, enterprises may transfer funds written off from profits for the development of allotted-plot gardens. The Worker's Council is preparing a resolution concerning financial assistance and other forms of aid.

The head of the Main Committee for Tourism is likewise obliged to ensure the means yearly that are indispensable for the employee allotted-plot garden developmental fund.

#### Responsibilities of Various Sectors

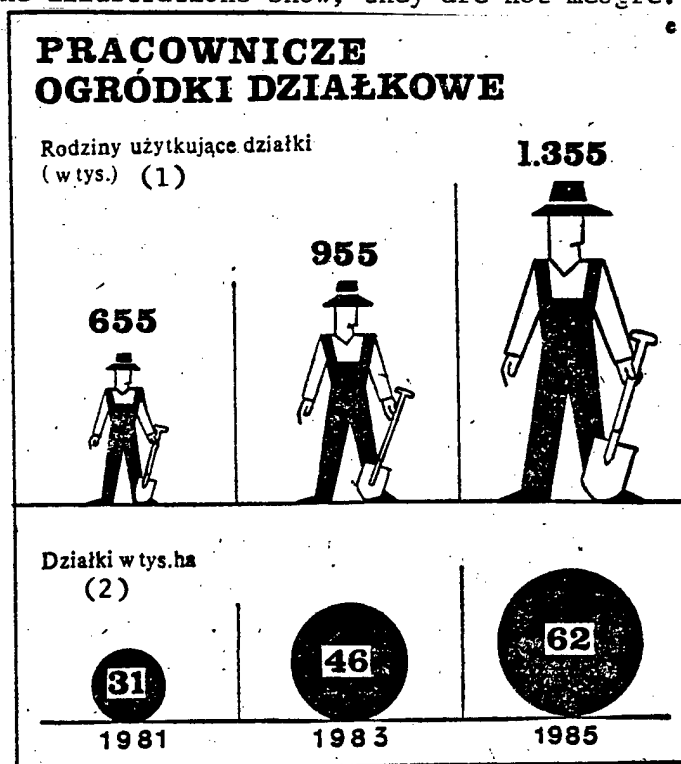
Warsaw RZECZPOSPOLITA in Polish 15 Apr 82 p 4

[Article by an]

[Text] The subject of allotted plots has once again come into vogue in recent weeks. This is not only because the spring favors considerations of the employee gardens. The lively discussion among allotted-plot holders and particularly those who are waiting in line patiently for a patch of earth has been engendered by two resolutions recently undertaken by the Council of Ministers: one concerns the development of allotted-plot gardens through 1985, and the other refers to the participation of factories in these tasks. They make it possible for 700,000 families to receive allotted plots relatively quickly. The transfer of 31,000 hectares of land is planned for this purpose.

At present, allotted plots occupy 31,000 hectares of land in Poland. A total of 655,000 families tills the soil in 5,600 gardens, of which every 5th one also functions as a park, primarily in large cities.

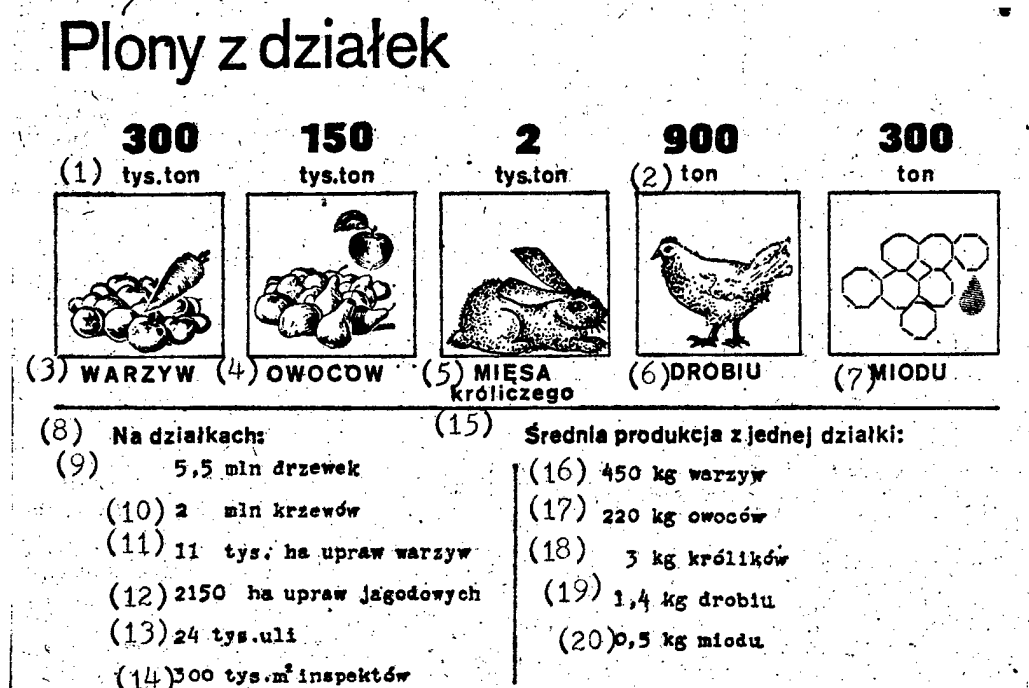
Until recently, when allotted plots were spoken or written of, emphasis was placed on their recreational and relaxational values, and on the possibilities of refreshing oneself in the outdoors. Recently, however, given the problems with food supply, more and more stress is being laid on the harvests from these plots. And, as the illustrations show, they are not meagre.



## Employee Allotted-Plot Gardens

### Key:

1. Families utilizing allotted plots gardens (in thousands)
2. Allotted plots in thousands of hectares



## Allotted-Plot Yields

### Key:

- |                           |  |
|---------------------------|--|
| 1. Thousands of tons      | 11. 11,000 hectares of vegetable cultivation   |
| 2. Tons                   | 12. 2,150 hectares of berry cultivation        |
| 3. Vegetables             | 13. 24,000 beehives                            |
| 4. Fruit                  | 14. 300,000 m <sup>2</sup> of hotbeds          |
| 5. Rabbit meat            | 15. Average production from one allotted plot: |
| 6. Poultry                | 16. 450 kg of vegetables                       |
| 7. Honey                  | 17. 220 kg of fruit                            |
| 8. On the allotted plots: | 18. 3 kg of rabbit                             |
| 9. 5.5 million saplings   | 19. 1.4 kg of poultry                          |
| 10. 2 million bushes      | 20. 0.5 kg of honey                            |

However, the potential is much greater, as is indicated from the experiences of our neighbors. The share of farm harvests from allotted plots in the

total Polish harvest amounts to approximately 6 percent of all vegetables and 11 percent of all fruit. In Hungary, e.g., up to 70 percent of all fruits and vegetables come from allotted plots and home gardens, while in the USSR the figure is approximately 60 percent.

The interest in receiving an allotted plot has gained in intensity in our country, especially in recent weeks.

In accordance with Council of Ministers Resolution No 50, dated 6 March 1982 (in MONITOR POLSKI, 20 March 1982), lands designated to be permanent employee gardens should be included in plans of territorial development of particular voivodships, cities and gminas.

By virtue of a Sejm law passed last year, the PZD established and runs allotted-plot gardens. At the same time, local authorities and particular ministries are obliged to provide the PZD with far-reaching assistance. New governmental regulations define precisely who is responsible for what. For example, local authorities are responsible for the transfer of lands to PZD voivodship boards, for recultivation, land reclamation, the installation of power and water lines and approach roads and for insuring public transportation. This activity is to be supervised by the Ministry of Administration, Local Economy and Environmental Protection.

The Ministry of Agriculture and the Food Economy should take into account in its balance of needs the need announced by the PZD each year for indispensable amounts of seedlings, seeds, fertilizers, pesticides and machinery and equipment.

The Ministry of Culture and Art must help the PZD to carry out the publication activity indispensable for raising the level of gardening knowledge of allotted-plot holders.

The resolution imposes a crucial task upon the Ministry of Finance, which has the duty of ensuring the means in the central budget for supplementing the developmental fund of employee gardens. In another resolution, the government recently allocated 0.5 billion zlotys for this fund.

The second resolution (No 51), dated 6 March 1982, specifies the services required of factories. Their duties include investment service, technological assistance, providing building materials, transport services and making available machinery and construction equipment.

It is noteworthy that the new regulations likewise oblige voivodship governors and the plant management to immediately transfer lands designated for investments that have been temporarily delayed, for temporary allotted-plot gardens.

Recent governmental decisions concerning employee gardens will enable many of those who are waiting for plots to receive them within the next few years. If the resolutions are implemented fully and on time, everyone who has applied for a plot thus far should receive one by 1985. By virtue of an understanding

concluded by the PZD and the Bank of the Food Economy, the PZD will make use of the available credit to purchase equipment and to bring the land into cultivation.

#### Role of Administration Ministry

Warsaw RZECZPOSPOLITA in Polish 21 Apr 82 p 5

[Interview with Czeslaw Kotela, undersecretary of state in the Ministry of Administration, Local Economy and Environmental Protection with Anna Sielanko; date and location not given]

[Text] A Council of Ministers resolution dated 6 March 1982, concerning the development of allotted-plot gardens through 1985 imposes concrete tasks on several ministries and organs of the local administration. The execution of these tasks is to double the lands occupied by allotted-plot gardens during this five-year plan. One of the ministries mentioned in the resolution is the Ministry of Administration, Local Economy and Environmental Protection. We spoke with Undersecretary of State Czeslaw Kotela concerning the role of this ministry in the implementation of the governmental resolution.

[Answer] Our ministry's tasks emanate not only from the resolutions adopted by the Council of Ministers in March 1982 concerning: the development of allotted-plot gardens, services to be rendered by factories on behalf of the gardens and the allocation of 0.5 billion zlotys for the development of the plots, but also from a Sejm resolution dated 6 May 1981, concerning employee allotted-plot gardens and from the ministry statute itself, concerning the scope of its activity.

MAGTIOS [Ministry of Administration, Local Economy and Environmental Protection] is the spokesman for issues associated with allotted-plot gardens in the governmental forum. At the same time it has legislative duties that include the preparation of drafts of governmental resolutions on this issue and normative duties--the minister determines the size of the plots and the manner of their utilization. Our tasks likewise emanate from our functions as coordinator of the work of the local administration. Thus, we will supervise the implementation of tasks emanating from the resolution by particular voivodship and municipal offices. These include the allocation of lands to the PZD, land reclamation, recultivation, the installation of water and power lines, road construction and the facilitation of access to the plots by public transportation.

We are working together with the other ministries who also have tasks outlined by the resolution. In reality it may be said that we are responsible for the full and on-time implementation of the government resolutions. The minister has appointed his plenipotentiary in our ministry for overseeing all of these matters.

[Question] Does the ministry have at its disposal information concerning the execution of tasks assigned to the particular units of the local administration?

[Answer] As cocreator of the draft resolutions, and therefore familiar with their contents beforehand, the ministry approached all voivodship governors and mayors on 19 February, ordering them to review the lands that would be suitable for permanent or temporary allotted plots and to transfer these lands as quickly as possible to the PZD. The reason for this was to enable allotted-plot holders to receive as much land as possible in the spring. We are getting the first reports of this review. For example, in the Czesztchowa voivodship, 8 hectares have been transferred for temporary allotted plots and 15 hectares have been transferred for permanent plots. Meanwhile, in Suwaly it will be possible to designate 60 hectares for temporary gardens, and in Suwalki itself 32.5 hectares will be designated this year for permanent plots.

Altogether, one-fourth of the voivodships have sent us information concerning the spring campaign for designating lands for allotted-plot gardens. Further reports are still coming in. Special teams appointed by voivodships governors are reviewing uncultivated lands and are determining whether they are suitable for permanent or temporary gardens.

[Question] Temporary gardens are a new idea in the allotted-plot holder's vocabulary. Just what kind of plots are these to be?

[Answer] The domestic economic situation has forced the government and particular enterprises to postpone many investments and to delay their completion date by several years. Hence, the idea to give this land over temporarily to allotted-plot holders. However, these will not be gardens in the full sense of the word. These lands will not be fenced off; arbors may not be erected upon them and trees may not be planted. On the other hand, they will be larger in size (up to 1,500 square meters) and they may be planted only with vegetables or, e.g., potatoes. Their purpose is not so much recreational as it is the utilization of free lands for production purposes. The interest in temporary plots is considerably greater in such large cities as Warsaw and Katowice and relatively minor in small towns.

[Question] You have mentioned harvests from these plots. Until now, the yields from these plots have not been significant on the fruit and vegetable market.

[Answer] Last year, fruit and vegetable production amounted to 450,000 tons. It is estimated that the plot holders and their families and friends consumed the bulk of this themselves, with approximately 100,000 tons going to stores and to market. The increase in acreage for cultivation by 100 percent as specified by the resolution should also double production. In other socialist countries, the share of harvests from allotted plots designated for the market runs from 20 to 30 percent; in Poland it is barely a few percentage points.

[Question] Until now the annual increase in allotted plots was small in our country. In 1979 it amounted to 1,974 hectares; in 1980, it was 2,205 hectares

and in 1981 it was 2,221 hectares. Meanwhile, the resolution provides for 31,000 hectares to be brought into cultivation for allotted plots between 1982 and 1985. Thus, this increase should amount to 7 to 8 more hectares over the course of a year. This is not an easy task. In our opinion, what are the most serious obstacles to be overcome to make 62,000 hectares for allotted plots a reality in our country?

[Answer] Indeed, the implementation of the resolution will certainly be no simple matter. But such are our social needs. Today about 700,000 families are waiting for allotted plots, and if as many new gardens are provided for by the law are made available, everyone who is waiting for a plot will receive one. The greatest problems lie in the repurchase itself of lands. Only part of these lands belongs to the State Land Fund. The rest is held by private owners. The law covers only repurchase. Formalities usually take a long time, not to speak of the costs to the state. The local organs of the state administration are involved in the repurchase, and the lands are then transferred to the PZD for their use. Our ministry's role consists of creating legislative conditions in local matters and of supervising these units.

A second important duty of local authorities, and one that is difficult to perform is the work associated with installing water and power lines and building roads. We are all aware of the current problems with materials and workmanship. The managements of the particular gardens, who must fence in the land allocated to them and equip it from within will have similar problems to resolve. The help of factories will be important in this field.

The government resolution outlines the services of plants on behalf of the gardens. For example, plants are expected to extend their patronage over particular allotted-plot gardens, and their employees will have priority in receiving plots.

[Question] Mr Minister, the 25 March resolution, the government allotted your ministry 0.5 billion zlotys for the development of allotted plots. How do you plan to make use of such considerable means?

[Answer] These monies will be transferred to the PZD National Council as a supplement to the Employee Allotted-Plot Garden Developmental Fund. They will be designated for the completion of garden construction and for equipping lands that have already been allotted. Altogether this sum will build up plots occupying approximately 8,000 hectares.

Since we are speaking of finances, I should like to add that one of our ministry's tasks in this regard is, likewise by agreement with the minister of finance and voivodship governors, to supervise the utilization of financial means transferred by plants to the Employee Allotted-Plot Garden Developmental Fund.

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ECONOMIC RESULTS OF CURTAILED PORT INVESTMENTS PUBLISHED

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[Article by Dr Rudolf Karbowski: "Economic Results of Curtailing Certain Port Investments in Gdansk and Gdynia"]

[Text] In the country's current economic situation resulting, among others, from a shortage of adequate financial means to implement initiated capital investments, the necessity of curtailing many, frequently far advanced capital investments in the Polish seaports is being evaluated. Construction of the following at the Gdansk port was included:

- . iron ore storage bases at North Port, outlays of 4470 million zlotys, 49.5 percent completed;
- . a complex of infrastructural installations at North Port, outlays of 2338 million zlotys; 96.5 percent completed;
- . task 2 of the coal base at North Port, outlays of 1742 million zlotys; 68.5 percent completed; and
- . task 3 of the oil base at North Port, outlays of 1398.6 million zlotys, 89.5 percent completed.

At the Gdynia port, the following construction was included:

- . container base (first stage), outlays of 3574.1 million zlotys, 54.1 percent completed;
- . storage warehouse for general cargo and cement, outlays of 223.5 million zlotys, 33.5 percent completed;
- . container base (task 2), outlays of 128.4 million zlotys, 76.7 percent completed; and
- . task 3 of the oil base, outlays of 201.9 million zlotys, 75.4 percent completed.



Curtailement of further implementation of only some of these investments must cause definitive economic results. By "economic results" we mean actions or decisions that cause direct and indirect financial consequences connected with normal investment or operating activities that result from a complete or partial curtailing of already implemented port investments.

The following factors can be included among the direct financial consequences of curtailing port investments:

- . the costs of removing building sites (dismantling of building facilities, material losses of removing facilities, clearing of accumulated materials, etc.);
- . the costs of insuring installations prior to loss of their value;
- . the costs of the contractor's leaving construction;
- . the costs of freezing committed investment outlays;
- . the costs of renewed effort by the contractor and the development of a building site at the moment of renewed construction;
- . the costs of renewed purchase and transportation of owned materials at the moment of curtailed investment; and
- . the interest from investment credit earned on the current state of construction.

The following factors can be counted among indirect financial consequences: the financial results that will have to be borne by foreign trade because of the shortage of a specialized, highly productive storage base at the port (e.g., storage for iron ore or containers) and the results of incurring higher maritime cargoes, prolonged stays by ships at Polish ports and long stays by railroad cars at the ports.

The cited financial results of curtailing port investments have been given as examples of capital investments that are the most capital-intensive and advanced in implementation (40-60 percent). These are also investments whose current stage of implementation and priority in the structure of the ports' economic needs require particularly careful and obvious decisions.\* Included among these capital investments are construction of an iron ore transfer base at North Port in Gdansk, construction of a storage area for cement in Gdynia and construction of a container base on the Hel coast in Gdynia.

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\*R. Karbowski, E. Redla, H. Godlejewski: Report on the State of Implementation of Fundamental Capital Investments in the Port Complex of Gdansk-Gdynia and the Consequences Resulting From Curtailing Their Implementation. Maritime Institute, Gdansk, 1981.

## The Transfer and Storage Base at North Port

The direct financial results of curtailing investments stand at approximately 877 million zlotys and include the costs of eliminating building facilities --40 million zlotys; insurance on completed hydrotechnical work, capacity installations, steel construction, railroad infrastructure, foundations for machinery, etc.--70 million zlotys; contract costs (5 percent) tied to release from the agreement with the general contractor--100 million zlotys; costs of maintaining the current state of investments for a period of 3 years--36 million zlotys; costs of freezing investment outlays--223.2 million zlotys; costs of renewed construction by the contractor (approximately 10 percent of the estimated value)--187 million zlotys; costs of renewed and additional transport of materials by type and size maintained at the construction site at the moment of curtailed investment--3 million zlotys; interest on the credit used in construction--217.6 million zlotys.

The indirect financial results include, above all, the results of covering maritime freight's high rates caused by the need to engage considerably smaller ships for iron ore shipments than those that North Port could accept if the iron ore base were completed. Losses from this situation are estimated at approximately 800-900 million zlotys annually.

To the indirect results of curtailing construction of the transfer and storage base for iron ore, one also can add the losses acquired by the Polish maritime fleet as a result of losses to portions of the ships' operating readiness. Until the present, the time needed traditionally to service iron ore ships at the port of Gdansk was 13.5 hours/1000 tons of cargo from roadstead to roadstead. In the newly constructed iron ore base at North Port, an average cargo of 11,000 tons can be serviced in 24 hours, a reduction of 3.5 hours. This fundamental reduction in the time ore ships spent at North Port signifies the possibility of acquiring additional and larger iron ore transports at a value of 1.6 billion zlotys.

The average time of stay by railroad cars transporting iron ore from the ports is currently 12 hours. At the specialized base, including the time required for the port service of railroad cars in accordance with technical principles, the average time will be only 2 hours. Saving 10 hours per railroad car equals a savings of over 8 million railroad car hours needed to transport iron ore from North Port.

## Cement Storage Area at the Port of Gdynia

The direct financial results of curtailing capital investments stand at approximately 534 million zlotys and include the costs of liquidating building facilities--250,000 zlotys; insurance on completed construction, electrical and sanitary work--9.9 million zlotys; costs of purchasing materials and equipment--11.4 million zlotys; interest tied to release from the agreement with the general contractor--3.2 million zlotys; costs of maintaining the current state of investment--3 million zlotys; costs of freezing already enacted investment outlays--8.012 million zlotys; costs of renewed construction by the contractor--7.510 million zlotys; costs of renewed transport of materials--1.140 million zlotys; interest on the credit used in construction--9.012 million zlotys.

The indirect financial results of curtailing construction of the cement storage area should include losses of Polish shipping that would have come into existence as a result of operating readiness needed to load and unload the ships in the traditional port. Service time for loading cement currently requires 68.1 hours/1000 tons from roadstead to roadstead. Use of the modern storage area should reduce the time to 48 hours/1000 tons. Through effective use of the 370,000 tons at the storage area, time saved at the port should be approximately 7,400 hours annually. As a result, the time required for ships at port will be reduced, and the possibility of transporting additional cargo will be enhanced.

Another indirect consequence of curtailing construction of the cement storage area, which is located next to the Swedish pier, is the loss of transporting general cargo to the 250-meter pier. Losses caused by this situation are estimated at approximately 180 million zlotys annually.

#### Container Base in Gdynia

The direct financial results of curtailing capital investments are estimated at approximately 765 million zlotys. These include the costs of liquidating building facilities--5.5 million zlotys; insurance on the port area from the section where work on the Hel pier was halted--21.0 million zlotys; insurance on the current state of construction prior to the end--7.0 million zlotys; costs tied to release from agreement--64.0 million zlotys; costs of maintaining machinery and equipment, as well as technical devices needed to transfer containers and capacity installations--15.0 million zlotys; costs of freezing already installed capital investment outlays--272.0 million zlotys; costs of renewed construction by the contractor--216.4 million zlotys; interest tied to release from the agreement with the general contractor--163.9 million zlotys.

Indirect financial results of curtailing further work on the base can be seen above all in the loss of a portion of the operating readiness by the Polish line fleet, and especially the new roll-on-roll-off ships. It is anticipated that total turnover time of 3 hours/1000 tons for lift-on-lift-off will not be achieved as a result of the current curtailing of investments, and the considerable portion of cargo on modern ships will have to be serviced on traditional piers. Therefore, service time for 1000 tons of cargo will be correspondingly long--approximately 60 hours. For the base's storage capacity (first stage) of 1.3 million tons (600,000 tons of roll-on-roll-off position and 700,000 tons of lift-on-lift-off position), this means a loss of over 68,000 ship hours during the course of a year. As a result, this means the loss of possibility of taking in additional freight at a value of approximately 1.76 billion zlotys annually.

Incompletion of the container base in Gdynia can have the result that after getting out of the economic crisis, Polish foreign trade using maritime means will encounter another barrier in the ports--a shortage of possibilities for reloading a specific number of goods held in containers.

## Conclusions

Considering such long-reaching economic results (financial losses), one can propose the following solutions:

- 1) Without curtailing the implementation of continued investments, one should work out new, economic programs (so-called "minimum programs") for each examined capital investment in progress. Their scope should be curbed drastically up to the limitation of their operation after implementation of the "minimum program". After the end of the unfavorable economic situation, one should complete the investment according to the indispensable and full scope of issues.
- 2) Administering as best as possible the interests of the national economy, investments whose costs of completion is lower than the costs of protection and conservation during the period of their curtailment (approximately 3 years) should not depend on curtailment. On the other hand, in cases when the cost of completing investments is higher than the costs and losses tied to their curtailment, decisions on the eventual curtailing of investments should be made only then when it is confirmed that the ports of Gdynia and Gdansk, based on their current service potential, rectify their transfer tasks through the assumption that the quality of ship service, and especially the time of that service, will not deteriorate further.
- 3) Capital-intensive construction of the iron ore base in North Port and the container base in Gdynia, although only 50 percent completed, already are giving clearly evident effects. The completed iron ore base permits an improvement in service time for 1000 tons of iron ore from roadstead to roadstead. Under current conditions, the transfer of 5 million tons of iron ore annually saves approximately 50,000 ship hours, which means the possibility of earning approximately 1.6 billion zlotys from additional freight. The completed container base shortens the transfer of 1000 tons of general cargo to a few hours. Current container capacity of 1.3 million tons permits the savings of over 34,000 ship hours and additional savings of 1.8 billion zlotys annually.
- 4) The economic results of curtailing researched port investments will be greater the larger the degree of construction completion and the larger the storage capacity. Particularly in the latter case, the economic results can manifest themselves in infrequently encountered financial amounts. Their mismanagement would act negatively on the results of Poland's foreign trade and influence the intentions to reduce its efficacy.
- 5) Many years of analyzing the implementation of port investments as compared to needs and especially to the constantly worsening time required to service cargo and ships, as well as the numerous examples of economic results cited in this article, show that curtailing each introduced port investment, and especially the iron ore base in North Port and the container base in Gdynia, would cause in the future large economic losses and push our ports and foreign maritime trade to the level of an insignificant partner in world goods exchange.